Austria	Sch22	Indonesia	Rp3100	Oman	Or 1
Bahrain	Din0.700	Iran	Ris760	Philipines	Peso40
Belgium	BFr50	Israel	NIS3.50	Portugal	Esc140
Cyprus	C£0.90	Italy	L1700	Qatar	Qr9.00
Denmark	DKr10.00	Jordan	Fils.500	S.Arabia	Ris7.00
Egypt	E£2.25	Kuwait	Fils.500	Singapore	S$4.10
Finland	Fmk7.00	Lebanon	£250.00	Spain	Pta145
France	FFr7.00	Lux	LFr50	Sweden	SKr10
Germany	DM2.30	Malaysia	Rm4.25	Switz	SFr2.40
Greece	Dr120	Morocco	Dh6.00	Thailand	Bt50
Hong Kong	HK$12	Neth	Fl3.00	Tunisia	Din0.800
Iceland	Ikr125	Nigeria	Naira10	Turkey	L600
India	Rup15	Norway	NKr10.00	UAE	Dh7.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,844 — Tuesday May 16 1989 — D 8523A

INDIA

Attempts to bridge petrochemicals gap

Page 4

World News

African leaders meet in bid to end Angolan war

Eight African heads of state are meeting in Luanda to launch an unprecedented effort to end the 14-year conflict in Angola between the government of President Eduardo dos Santos and Jonas Savimbi's Unita movement. Page 4

PLO rejects poll plan

The Palestine Liberation Organisation rejected Israel's plan for elections in the occupied territories as a trick to usurp Palestinian rights and evade UN resolutions on Israeli withdrawal. Page 5

EC rights vote

European Commission is set to approve a plan for an EC charter of social rights fiercely opposed by Britain, officials said. Page 3

US envoy recalled

President George Bush recalled Arthur Davis, US ambassador to Panama, to Washington for consultations. Page 6

Ligachev accuser

Mr Nikolai Ivanov, controversial prosecutor who has openly linked Mr Yegor Ligachev, the Kremlin's leading conservative, with investigations into corruption, has triumphed in run-off elections for the new Soviet parliament. Page 20

Israeli crackdown

The Israeli army destroyed four and sealed seven homes belonging to recently arrested Palestinians in a crackdown on attacks against suspected collaborators.

Row over dam

Czechoslovak officials accused Hungary of violating international law by stopping work on a joint dam project and said Prague would seek compensation. Page 3

President named

Janez Drnovsek, 39-year-old economist, became the youngest president in Yugoslavia's history. Page 3

Action Directe trial

Twenty alleged members of the extreme left group, Action Directe, go on trial in Lyon today for a string of killings, bombings and hold-ups in the early 1980s.

Havel release appeal

A Prague judge will consider a request from Czechoslovak playwright Vaclav Havel for an early release from his eight-month prison sentence on charges arising from a week of anti-government protests.

Remote control jet

Israel will unveil a remote-control aircraft, designed for both war and peace, at the Paris air show next month.

London strike

Central London emerged relatively unscathed despite suffering its worst disruption to public transport for years through 24-hour strikes by bus and train crews. Page 11

Korean protests

Thousands of people marched in Kwangju, South Korea, to protest against the death of a dissident student, rejecting laboratory tests that indicated he died by drowning.

Moscow drinks bill

Soviet Union's drinking crackdown cost $25bn a year in lost income, said leading economist Professor Nikolai Shmelyov.

Business Summary

Hanson posts 25.6% rise in first half earnings

HANSON, diversified conglomerate, unveiled a 25.6 per cent increase in first half profits before tax at £447m, but played down suggestions that it might soon being returning to the acquisition trail. Page 21

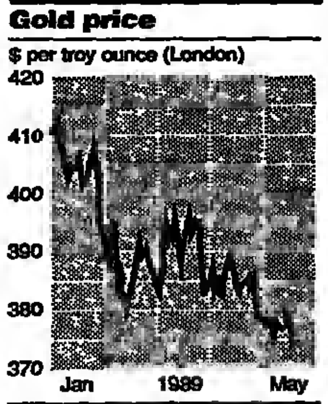
EGYPT and the Soviet Union yesterday signed a £120m ($198m) "soft loan" agreement for the construction of a 600MW power station in the Sinai Desert. Page 7

SALOMON BROTHERS, New York investment bank, is to launch a $60m investment fund for Chile, according to Chilean Finance Ministry officials. Page 27

GOLD: Gold was fixed at $373.20 in London, after a fall below the chart support point of $375.00 led to stop loss selling. The metal has traded at

Gold price

$ per troy ounce (London)



its lowest level since August 1986, touching $373.50, reflecting recent signs that US inflation is under control and the sharp rise of the dollar.

BRITISH COAL is offering to slash the prices of 20 per cent of its sales to power stations to protect a large section of its market from imports and fend off another heavy round of colliery closures. Page 12

K MART, world's second biggest retailing group after Sears, Roebuck, reported a sharp decline in first-quarter income despite a small increase in sales. Page 22

GENERAL Electric, fifth largest US company, is to cut 1,400 jobs and close factories in Georgia and Maryland to consolidate electrical equipment operations in its appliance division. Page 22

NEWS CORPORATION, Rupert Murdoch's international media group, surged higher on a strong Australian stock market, ahead of third-quarter results showing a continued improvement in trading profit and large extraordinary gains. Page 25

C ITOH, Japan's leading trading house, acquired a 20 per cent stake in the privately owned Welsh electronics concern Race Group. Page 12

HEWLETT-PACKARD's stock price plunged in heavy trading on news that the computer and electronics manufacturer is projecting lower than expected earnings for the second quarter, which ends on April 30. Page 22

GENENTECH, US pharmaceuticals and biotechnology company, is to work with Xenova, small British drugs group, on joint studies involving new types of naturally occurring biological substances which could be used to treat heart ailments. Page 22

BERGESEN, Norwegian shipping company, is raising $150m through a five-year revolving credit facility arranged by Manufacturers Hanover Trust. Page 27

SOUTH AFRICA'S foreign creditor banks have embraced an option in financing arrangements which allows them to escape further negotiations with the South Africans and cease lending to the country by 1997. Page 4

Historic meeting in Peking as Soviet leader Mikhail Gorbachev (left) and Chinese President Yang Shangkun listen to the playing of national anthems at the start of the first summit meeting between the two countries for 30 years

Student protests mar Sino-Soviet summit

By Colina MacDougall and Quentin Peel in Peking

HUGE CROWDS of students yesterday scored a propaganda victory over the Chinese leadership by throwing into chaos the programme for the historic Sino-Soviet reconciliation.

Today's wreath-laying ceremony at the Heroes' Monument in Peking's Tiananmen Square was cancelled last night following a day of mass demonstrations in the heart of the Chinese capital.

The welcoming ceremony for Soviet President Mikhail Gorbachev – attending the first Sino-Soviet summit since Nikita Khrushchev met Mao Zedong in 1959 – had to be moved to the airport, and his first formal meeting with the Chinese leadership postponed by two hours. His arrival at the Great Hall of the People in Tiananmen Square was a hole-and-corner affair as his motorcade slipped through to a side entrance.

The disruption was caused by crowds of banner-waving students and their supporters estimated to number at least 100,000, surging backwards and forwards across Peking's central square. Peking's students have been demonstrating for freedom of the press and more democracy since the death of former party leader Hu Yaobang a month ago.

The disruption of the summit amounts to a humiliation for the Chinese leadership, although the protesters said they do not wish to tarnish an important international occasion for China.

President Gorbachev arrived at noon to the airport welcome which was to have taken place in Tiananmen Square, with a guard of honour and a 21-gun salute. Confusion reigned throughout the afternoon over the precise time and place of Mr Gorbachev's talks with President Yang Shangkun. Two hours late, his cavalcade arrived by the back streets to what is, in effect, the tradesman's entrance to the Great Hall.

The key talks of the summit will take place today when Mr Gorbachev meets Deng Xiaoping, China's 84-year-old senior leader, and Zhao Ziyang, party general secretary. Yesterday's meeting set guidelines on which both sides wish the talks to proceed.

Both sides stressed the need to put the quarrels of the past 30 years behind them. However, while President Gorbachev talked about the summit as marking a "watershed" in relations between the countries, his Chinese counterpart was more cautious, referring only to "the beginning of the normalisation of Sino-Soviet relations."

In a welcoming banquet in the Great Hall, Yang noted that "Sino-Soviet relations traversed a tortuous course in the past. Today, we have come to a new starting point."

Mr Gorbachev spoke positively about co-operation at all levels on political, economic and international issues. Mr Yang underlined Chinese determination to pursue an independent foreign policy.

Mr Gorbachev also stressed that "the improvement of Soviet-Chinese relations is not directed against any third country. In the final analysis, the entire world community stands to gain from that improvement."

A point of dispute emerged over whether Mr Gorbachev apologised and took Soviet responsibility for the confrontation of the past 30 years. A Chinese Foreign Ministry spokesman said the Soviet leader expressed his regret for the past and admitted "to a certain extent we are responsible for that."

However, Mr Gennady Gerasimov, the Soviet spokesman, denied that his leader had apologised. But, admitting that it could have been said outside his hearing, he declared that both sides had agreed "let the dead bury their dead."

Continued on Page 20
Summit details, Page 8

Bonn calls for joint US-Europe effort in TV technology race

By Lionel Barber in Washington

WEST GERMANY is to propose formally today that the US and Europe join forces against Japan in the race to develop high-definition television (HDTV).

Mr Christian Schwarz-Schilling, West German post and telecommunications minister, will table the proposal during a meeting in Washington with Mr Robert Mosbacher, US Commerce Secretary, who is leading efforts to build a domestic HDTV industry.

HDTV, which gives sharper pictures than conventional TV, is an emerging technology with widespread future application in industries such as computers, semiconductors, consumer electronics and defence. US industry estimates suggest that sales of HDTV sets could total $40bn worldwide by the year 2010, with $11bn in the US alone.

A three-cornered fight has erupted with Japan, Europe and the US all trying to develop their own standard for the new technology. The US effort is lagging, while Japan has established a lead, prompting fears that it will consolidate its already dominant position in the TV industry and capture further lucrative electronics markets worldwide.

Mr Schwarz-Schilling said he wanted the US to pool its resources and technology with Europe: "We should not permit Japan to get supremacy in the next generation of standards of television. It would be a mistake if the US and Europe start their own development. We should sit down together."

The West German move comes as the Bush Administration and the US electronics industry is belatedly trying to forge a common policy on HDTV. Last week, an industry group told Congress that it would need at least $1.35bn in Federal aid if it were to build an advanced television capable of taking on Japan.

Mr Mosbacher, who favours tax breaks and anti-trust waivers to foster US industry collaboration, reacted cautiously, declaring that "Uncle Sugar" would not necessarily stump up the cash – an approach seen as a setback for the HDTV effort.

Ms Pat Hill Hubbard, vice president of the American Electronics Association, said the West German proposal was "a bit premature, but very interesting." She said it was important, first, for the US Government and industry to agree a common policy and then negotiate from strength on issues such as common standards and licensing of technology.

The US, recognising the technological importance of HDTV, has begun to back away from a preliminary commitment made several years ago to Japan to adopt its standard. NHK, Japan's government-owned broadcasting company, had offered to license HDTV technology to US companies, said Ms Hubbard. She characterised the West German proposal as a similar effort to woo the US.

Peronists appeal for unity after election victory

By Gary Mead and Robert Graham in Buenos Aires

PERONIST candidate Mr Carlos Menem, who swept to victory in Argentina's Presidential election on Sunday, yesterday called for national unity to "help pull the country out of the hole in which it finds itself."

Unofficial final returns yesterday gave Mr Menem 47.2 per cent of the popular vote against 37 per cent won by Mr Eduardo Angeloz, of the Radical Party.

Mr Menem and the Radical government of President Raul Alfonsin are under pressure to reach a quick understanding on how the country is to be governed over the next six months before Mr Menem takes office.

Urgent economic decisions, as well as vital external negotiations on fresh financing of the country's $60bn debt, have been held up by the election campaign, and the country is facing the possible return of hyperinflation.

However, Mr Menem, who is not due to take office until December 10, refused to commit himself on the sensitive issue of co-operation with President Alfonsin.

Mr Angeloz conceded defeat within five hours of the polling stations closing on Sunday, when it became clear that the Peronists had won not only a majority of the popular vote but could count on 317 out of 600 in the electoral college that will now formally choose the 46th president by August.

The swing to the Peronists almost precisely reverses the Radical victory in October 1983, when President Alfonsin ended 13 years of military dictatorships.

Mr Menem, 58, said he would give support to the ruling Radical Government where necessary, but added that he would make it clear "that one cannot co-govern when one doesn't know what is going on and when one can't guarantee effective management."

The other political parties fared badly, emphasising the virtual disappearance of any left-wing vote and the consolidation of a two-party system. The elections also included 127 seats for half the lower chamber of Congress. The Peronists now look set to enjoy a majority which will enable their legislation to have a smooth passage, unlike that of the outgoing Government.

Victor stays aloof, Page 6; tests ahead, Page 18

Dollar continues to rise in spite of intervention

By Ralph Atkins in London and Janet Bush in New York

THE DOLLAR climbed steeply yesterday against other major currencies, shrugging off central bank intervention and closing in London at its highest level against the D-Mark since December 1986.

The rise followed strong increases over the last two weeks, largely due to demand by investors amid growing confidence about the US interest rate outlook.

The dollar's strength continued to undermine sterling, which fell to its lowest level against the US currency since October 1987. However, the pound was unchanged against the D-Mark, calming fears of a rise in UK interest rates to stop sterling depreciating.

In London the dollar jumped nearly 2¼ pfennigs against the D-Mark, reaching DM1.942 at the close, and it rose to Y137.20 against Y135.90 on Friday.

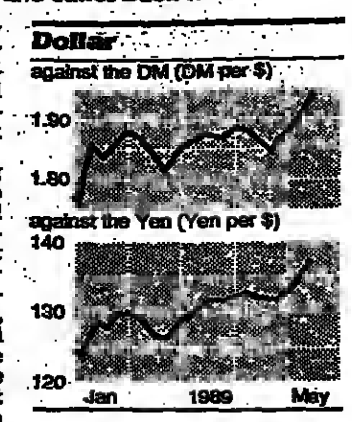
It closed in New York at DM1.9385 and Y137.175.

Most European foreign exchange markets were closed yesterday for Whitsun but the momentum behind the dollar's rise may also have discouraged large-scale intervention by other central banks.

The strength of the dollar protected US securities markets from the profit-taking which would otherwise have seemed inevitable after Friday's surge which took the bond market more than two points higher and the Dow Jones to new post-crash highs.

The Dow closed up 24.19 at 2,463.89. Volume was active although some of yesterday's

Dollar



gains could be traced to programme trading related to arbitrage with the futures market.

The Treasury bond market was more cautious, with short-dated issues trading ⅛ points lower in late business, and long dated bonds around ⅛ lower. The yield on the benchmark long bond edged higher to 8.83 per cent.

UK equity prices also rose to another peak since the October 1987 stockmarket crash. The FT-SE 100 share index closed 14.2 higher at 2,149.9.

In London, the pound ended at $1.6395 compared with $1.6595 at the previous close. Against the D-Mark it finished at DM3.1850. The Bank of England's sterling trade-weighted index fell 0.8 to 94.6.

Slower US growth confirmed, Page 6; Money markets, Page 42; Wall Street, Pages 46; London Stocks, Page 35

Unwelcome visitors drop in on the Commission

COMPUTER hackers from South Africa, Switzerland, France and Britain have broken into the European Commission's electronic files, writes William Dawkins in Brussels.

Officials said they have tightened computer security since the discovery that hackers have been snooping on databases for at least the past six weeks.

Files were found to have been entered regularly outside office hours.

The security breaches appear to have been in information systems concerned with foreign affairs, energy, agriculture and personnel.

The most likely repositories of sensitive information would be those relating to the European Community's external relations with, for example, South Africa, and to agricultural issues, from world pricing levels to domestic fraud.

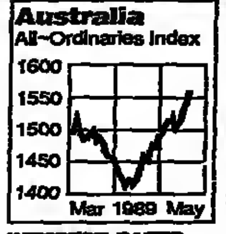
The Commission's computer systems seem undamaged and the hackers appear to have done little more than examine files before ringing off, officials said.

Moreover, the systems were altered to block unauthorised entry and the hackers appear to have stopped trying.

Nevertheless, one official admitted: "Clearly these are not just boys playing around with personal computers. They know what they are doing."

MARKETS

Australia
All-Ordinaries Index



INTEREST RATES
US lunchtime
Federal Funds 9¾% (9 7/16)
3-mth Treasury Bills: yield: 8.49% (8.467)
Long Bond: 100 11/32 (100 3/8)
yield: 8.83% (8.827)
London
3-month interbank: close 12 27/32% (same)

STERLING
New York close
$1.6410 (1.6615)
London:
$1.6395 (1.6595)
DM3.1850 (same)
FFr10.7600 (10.7700)
SFr2.8500 (same)
Y225.0 (225.50)

DOLLAR
New York close
DM1.9385 (1.9205)
FFr6.5495 (6.4905)
SFr1.7375 (1.717)
Y137.175 (136.15)
London:
DM1.9420 (1.9190)
FFr6.5625 (6.4900)
SFr1.7385 (1.7175)
Y137.20 (135.90)

GOLD
New York latest
Comex June
$376.5 (378.9)

STOCK INDICES
New York close
Dow Jones Ind. Av.
2,463.89 (+24.19)
S&P Comp
815.92 (+2.08)
London:
FT-SE 100
2,149.9 (+14.2)
World:
145.18 (Fri)
Tokyo
Nikkei Ave
33,716.29 (-150.04)
Frankfurt
Commerzbank
closed (1,684.7)

OIL
Brent 15-day (Argus)
$18.475 (+0.075) (June)
West Tex Crude
$20.415 (+0.30) (June)

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Anxieties about retreat haunt French industries

Proposed defence cuts have turned into a battle of wills between Mr Jean-Pierre Chevènement, the Defence Minister, (left) and Prime Minister Michel Rocard. Mr Chevènement is fiercely resisting the depth of the latest proposals

EUROPEAN NEWS

Mitterrand to intervene in defence cuts row

By Paul Betts in Paris

PRESIDENT François Mitterrand is expected to intervene directly this week in the controversy over large reductions in the country's four-year FFr470bn (£44bn) defence programme which is currently dividing the French Socialist Government. He said he intended to address this sensitive issue during a news conference on Thursday when he will outline his defence and foreign policy.

It will be his first news conference since his re-election last year and the initiative is clearly timed to coincide with the European election campaign and the forthcoming French presidency of the EC starting in July, when Mr Mitterrand will also host the summit of leading industrialised nations in Paris.

The debate on defence cuts is straining relations between Mr Michel Rocard, the Prime Minister, and Mr Jean Pierre Chevènement, the Defence Minister who is fighting against the depth of cuts proposed by the Government. Mr Mitterrand acknowledged that there would be reductions in the original 1990-93 defence procurement programme but said overall defence spending would still increase. He added that he was anxious to avoid any steps which risked demoralising the armed forces and undermine the country's defence industry.

Mr Mitterrand is also expected to use the news conference to comment on the recent controversial visit to Paris of Mr Yassir Arafat, the head of the Palestine Liberation Organisation, as well as discuss East-West relations before the Nato summit and his talks with President George Bush in Washington this month. He is also due to visit Dakar for the Franco-African summit, and Tunisia and Poland in coming weeks.

During his annual pilgrimage to Solutre in Burgundy, Mr Mitterrand also urged the Socialist Government to introduce new legislation to tighten French party political financing regulations to increase the transparency of political life. Although the previous right-wing Government had introduced legislation in 1987, Mr Mitterrand argued that it had not gone far enough and had had only a limited impact.

He also indicated he would favour a reduction in the number of regions in France to create fewer but bigger regional entities which would be more competitive in the Europe of 1992.

Mitterrand: careful timing

Opposition parties expose divisions on European policy

By Ian Davidson in Paris

THE CENSURE motion tabled by France's right-wing opposition parties, attacking the Socialist Government's European policy, is scheduled to be debated in the National Assembly today. But it has so far done more to expose divisions within the opposition than disconcert the Government.

Although the latter is well short of an absolute majority in the National Assembly, and thus in theory vulnerable to a censure vote, a defeat would require an improbable alliance between the conservatives and the communists. Such an alliance is doubly improbable because the purpose of the censure motion is to reproach the Government for being insufficiently pro-European.

In principle the right-wing parties have all declared their support for the motion, which has been signed by 21 Deputies from the Gaullist RPR party, 23 from the UDF centre-right umbrella grouping, and 20 from the UDC centrist party.

In reality, it marks a new episode in the power struggle within the conservative parties, between a group of young reformers and the established leadership. For the censure motion was launched at the initiative of the reformers, and, to the undisguised annoyance of their elders, they have retained control of it by an unorthodox manipulation of National Assembly procedure.

The reformers launched their first challenge a month ago with a plan to lead their own list of candidates in the June election to the European Parliament. This open defiance of the negotiated agreement between the Gaullists and the UDF, to field a joint list headed by former President Valéry Giscard d'Estaing, collapsed just as quickly as it had erupted when the young Gaullists meekly fell into line behind Mr Jacques Chirac and the old guard.

This week's censure motion is clearly intended by the young reformers as a way of recapturing public attention, as well as some of the credibility lost in that inglorious retreat. When the Gaullist party leaders decided to endorse the censure motion they assumed that their party group in the National Assembly would automatically have the right to lead the debate against the Government, and thus stifle the impact of the reformers' initiative.

Instead, the reformers are invoking a little-used procedure which permits an individual Deputy, rather than an officially-recognised party group leader, to lay a censure motion against the Government.

Mr Alain Juppé, secretary general of the Gaullist party, has condemned the reformers' unorthodox procedure, and it seems probable that Gaullist Deputies will have a free vote.

The motion criticises the Government for not having done enough to enable France to meet the more competitive world of the European Single Market and for failing to take initiatives to secure concrete progress towards monetary union and a true security community in Europe.

In reality, there is little doubt that the present Government is at least as genuinely committed to a European future as its conservative predecessor.

Moreover, the impact of a censure motion ostensibly supported by all the right-wing opposition can only be undermined by the fact that the conservative parties will be divided in the European Parliament elections because they will be presenting two rival lists of candidates.

The old guard of the Gaullist party may have been able to whip the young reformers into line behind the list of candidates led by Mr Giscard d'Estaing. But the CDS centrist party, led by Mr Pierre Mehaignerie, has broken away from the conservative pack, and is fielding a separate list of its own, under the leadership of Mrs Simone Veil, former conservative minister and one-time President of the European Parliament.

Anxieties about retreat haunt French industries

Proposed spending cuts threaten a sector already suffering from declining exports, writes Paul Betts

THE controversy within the Socialist Government over cuts in France's four-year FFr470bn (£44bn) defence programme is causing anxieties for the French aerospace and defence industry at a time of declining military export orders.

The outcome of the budgetary dispute is expected to have crucial implications for the sector, which has climbed since the 1960s to third place in the western league behind the US and Britain, thanks mainly to its military production.

It is also likely to accelerate the shift in the balance between the military and civil sides of the French aerospace business and heighten the urgency for further restructuring in the industry.

The issue of defence cuts has turned into a battle of wills between Mr Michel Rocard, the Prime Minister, and Mr Jean-Pierre Chevènement, the Defence Minister, who has palpably dramatised the debate during the last few days to mobilise the industry against any cancellation in the 1990-1993 procurement programme.

Mr Rocard and Mr Pierre Beregovoy, the Finance Minister, have asked for cuts totalling at least FFr50bn as a contribution to the Government's policy of budgetary rigour. Although Mr Chevènement has reluctantly accepted to make some reductions totalling about FFr20bn in the programme, he is fiercely resisting the depth of the latest proposed cuts.

The Defence Minister believes it is possible to trim FFr20bn without jeopardising the major elements of the programme, in spite of the risk of delays in the timetable of some new projects and a possible reduction in the volume of orders for specific equipment. But he warned last week that the Prime Minister's latest proposals could lead to cancellations.

The issue has now turned into a serious battle of wills between Prime Minister Michel Rocard (right) and Defence Minister Jean-Pierre Chevènement (left), who has dramatised the debate in the past few days to mobilise the aerospace and defence industry against the threat of cancellation of one or more of the major components of the four year procurement programme.

An inspired front-page article in Le Monde last week identified four programmes which could be threatened: the new Leclerc battlefield tank, the Charles de Gaulle aircraft carrier, the new generation Rafale fighter jet, and the Franco-German combat helicopter.

The Defence Ministry has also decided to freeze the launch of new military programmes and reduce certain existing orders for equipment until the controversial issue of defence cuts is resolved.

The ministry has already indicated it intends to buy three instead of five Atlantic-2 naval reconnaissance aircraft from Dassault-Breguet this year, and the air force is considering buying about 25 Mirage-2000 jets from the same group instead of 33.

The defence programme cuts are likely to make life especially difficult for Dassault-Breguet because of the group's heavy dependence on its military aircraft business. Indeed, the longer-term future of Dassault-Breguet hinges on the development and production of the Rafale advanced fighter jet.

During the last few years, the group has been forced to embark on a major restructuring and rationalisation programme in the face of stagnant military export orders and only last month announced the closure of one of its large aircraft plants at Colomiers in Toulouse.

Although the Government has confirmed on several recent occasions its commitment to go ahead with the Rafale, the programme's future and its timetable have remained clouded with doubt, especially after the failure to find foreign partners.

Aerospatiale, the French state-owned aerospace group, is also relying essentially on its civil aircraft rather than its military operations for growth. Underlying the significant shift in the structure of the French aerospace industry, Aerospatiale announced last month that for the first time the turnover of its civil aerospace activities had overtaken military sales last year and that this trend was likely to be accentuated this year.

The latest figures of the French aerospace industry association GIFAS also show a steady decline of the weight of the military sector in the overall turnover of the industry.

In 1986, the military side still accounted for about 64 per cent of industry turnover after accounting for as much as 73 per cent in 1980. But it declined to 56 per cent in 1987 and to 55 per cent last year of the industry's overall turnover of FFr83.9bn.

The shift is even more dramatic in export performance where the stagnation in big new military export orders has increased the industry's reliance on domestic defence programmes and civil orders.

Military exports accounted for only 33 per cent of total French aerospace orders last year compared with 43 per cent the year before and 41 per cent in 1986, the year when civil export orders overtook military orders for the first time. In 1982, military export orders accounted for as much as 80 per cent.

The trend is also evident in the figures published last week by the French aerospace components industry with turnover in civilian business increasing to FFr8.2bn last year from FFr5.8bn the year before but military turnover falling to FFr14.7bn last year from FFr16.2bn.

Expressing the general concern of the industry as a whole, Mr Jacques Savoyen, a senior executive of the Thomson CSF state-controlled defence group, said the industry was carefully following developments in the proposed revision of the country's medium-term defence procurement programme.

But as president of the association grouping the country's aerospace components suppliers, he added that the industry was not expecting any fundamental changes in the four-year defence programme and was confident that Mr Chevènement would fight "to the very end" to defend the major projects in the programme.

EUROPEAN NEWS

Thatcher defends tough stance on UK 'sovereignty'

By Philip Stephens, Political Editor, in London and Tim Dickson in Brussels

MRS Margaret Thatcher, the British Prime Minister, yesterday set the tone of the Conservative platform for next month's European elections with a strong defence of her determination to retain sovereignty for Britain's parliament.

In a clear response to the weekend attack on her policies towards Europe by Mr Edward Heath, a former prime minister, Mrs Thatcher said that she remained intent upon resisting a "detailed bureaucracy of standisation and harmonisation."

Her comments came as a growing number of Conservative Members of Parliament voiced concern that internal devisions within the party over how to respond to pressures in Europe for much closer union could damage its chances in the June 15 elections.

Many MPs voiced support for the more positively European approach set out by Mr Michael Heseltine, the former defence minister, in a book published yesterday, but others insisted that the Prime Minister should stick to her tough stance.

Those tensions are likely to be exacerbated later today when Lord Plumb, the Conservative president of the European Parliament, will use a speech in London to dismiss fears that Britain's partners are set on the creation of a European "super-state".

In a generally upbeat account of the European Community's recent development and its future prospects, Lord Plumb will pointedly challenge Mrs Thatcher's vision of a Europe.

Mrs Thatcher underlined her view that the completion by 1992 nf the single European market could not be allowed to take away from parliament the power to run Britain's economy and taxation system. She said that she was a "European idealist," but that did not mean transferring key powers from London to Brussels.

She did not mention Mr Heath by name, but Sir Geoffrey Howe, the Foreign Secretary, underlined the Government's anger at his remarks with a direct rebuttal of the charge that Mrs Thatcher had been "misleading the public."

Sir Geoffrey told a British Broadcasting Corporation radio programme that "it is a matter of great regret that a former Prime Minister, whom I was privileged to serve, should make that point about his successor who has done a great deal to shape the Europe for which he has worked so hard."

The Conservative manifesto for the European elections will be published next Monday, and ministers were acknowledging yesterday that it would represent a delicate attempt to bridge the internal tensions.

While there is a strong consensus in the Cabinet against the acceptable of a detailed and compulsory set of social policies to accompany the creation of the single market, there are clear differences over full British membership of the EMS.

Against that background the manifesto is expected to repeat the bland formula that the Government will take sterling into the exchange rate mechanism "when the time is right."

The opposition Labour Party hopes to build on its recent success in the Vale of Glamorgan by-election by winning perhaps five or more European constituencies from the Conservatives.

Lord Plumb set to add to Tory EC tensions

By Tim Dickson

LORD PLUMB, who is nearing the end of his term as president of the European Parliament, will tonight exacerbate the tensions on European policy inside Britain's Conservativa party in a speech to the Royal Institute for International Affairs in London.

In a generally upbeat account of the European Community's recent development and its future prospects, Lord Plumb will pointedly challenge Mrs Margaret Thatcher's vision of a Europe "merely of sovereign states," though he will not mention the British Prime Minister by name.

He will dismiss the fears being fuelled in London of a "centralised super state," remind EC member states of the commitment they have made to a "social dimension," and repeat his view that a single European currency is one day inevitable.

He will also argue that accountability in the EC will be improved only if the powers of the democratically elected European Parliament are increased.

While Lord Plumb does not intend to personalise his remarks, his speech is bound to fan the fires of controversy stoked up at the weekend when Mr Edward Heath, the former British Conservative Prima Minister, accused Mrs Thatcher of misleading the British public over the EC pursuit of a "Socialist super-state."

Yesterday, Mrs Thatcher responded to Mr Heath's allegations by saying that she would not allow Europe to sink "into detailed bureaucracy of standardisation and harmonisation."

Coming less than five weeks before the European elections, when Lord Plumb and other British Tory Euro MPs will be trying to present a united front on the hustings, the widening split in Conservative ranks is understood to be worrying party officials.

At Chatham House tonight Lord Plumb will insist that the EC's "principal achievements would have been impossible" without a pooling of sovereignty, at the same time reassuring his audience that "national identities can and will flourish within the European Community.

He will also assert that the social dimension of which Downing Street remains highly suspicious "is a necessary element in the achievement of a genuine internal market."

German diplomats feel Bucharest's wrath

By Leslie Colitt in Bucharest

RELATIONS between Western embassies in Bucharest and the Romanian authorities have deteriorated sharply recently.

The West German embassy is the latest target of retaliation after its recent condemnation of Romania's human rights record. Previously, Bonn was reluctant to criticise Bucharest ont of fear for the safety of the nearly 200,000 ethnic Germans in Romania.

After a two-week delay, West Germany last week confirmed tha apparently unprovoked beating by a Romanian security guard of Mrs Julia Dreesen, the wife of the West German consul in Bucharest, while out walking near her home. Mrs Dreesen suffered severe head and leg injuries when she was hit with a two-way radio and kicked on the ground.

She was sent back to West Germany in a state of shock. Bonn lodged a vigorous protest to Romania, which refused to apologise.

The West German Foreign Ministry, however, did not disclose that Romania subsequently accused a German diplomat of attempting to smuggle explosives aboard e Lufthansa airliner at Bucharest airport.

The charge was rejected as absurd by the West Germans.

Romanian pressure mounted after the West German Ambassador in Bucharest, Dr Klaus Terfloth, attempted last month to deliver a letter from Mr Hans-Dietrich Genscber, tbe Foreign Minister, to Mr Cornel Manescu, a former Romanian foreign minister. He was one of six prominent former officials who wrote a letter to Mr Nicolae Ceausescu, the Romanian President, accusing him of dictatorial rule in violation of party principles.

The ambassador was turned back by security officials and Mr Genscber responded by criticising human rights violations in Romania. Shortly afterwards, the car belonging to a West German diplomat in Bucharest was badly damaged at night ontside his bome.

Diplomats said there was little doubt it was the work of angered Romanian aecurity nfficials who had followed him during e tour he made of German-populated villages in western Romania's Banat region. The diplomat had successfully thrown off his pursuers who, however, had the final word when he returned to Bucharest.

Other embassies in Bucharest have received similar treatment. Washington protested receotly after an American diplomat was taken into custody and interrogated for trying to visit a signatory of the letter to President Ceausescn. The Dutcb and British Ambassadors to Romania were prevented several times from seeing signatories, most of whom have been taken to remote villages.

Britain to object over plan by Brussels to legislate on smoking

By William Dawkins in Brussels

BRITAIN WILL today object to European Commission plans to curb smoking, the latest of several UK protests against the Brussels authorities' perceived efforts to extend EC social policy into national territory.

Mr Kenneth Clarke, the Health Secretary, will deliver the Government's criticisms at a meeting with his 11 EC Ministerial colleagnes, but will fail to summon enough support to block one of the four schemes on the table, for minimum EC standards for cigarette packet health warnings.

However, the Government's objections will add to tensions with Brnssels inflamed recently by the UK's criticisms of two other Commission social policy plans – to boost foreign language education and to create a standard EC pensioners' identification card.

Downing Street sees them as questioning the Commission'a ability to stick to pledges not to launch directives in areas where Community action adds nothing to what is already being done at national level.

Britain accepts the principle that the Commission has the legal power to legislate on cigarette packet health warnings and tar content, two of the schemes before Ministers today.

But Mr Clarke will argue that the content of the Commission's plans on labelling and tar content is too detailed and interfering. They would as a result undermine the UK Government's 17-year-old voluntary agreements with the cigarette industry, it is feared.

The labelling scheme, which provides a list of acceptable health warnings, and defines how they must be displayed, is expected to get Ministerial clearance today, despite Britain's problems. Greece is the only other objector, keen to defend its tobacco farmers, but the two countries are not enough to derail the plan.

However, the Commission's proposals for EC cigarette tar limits will meet a substantial blocking minority, also including France, West Germany and Denmark as well as Britain and Greece. It would set minimum tar content at 15mg per cigarette from 1992, falling to 12mg by 1995, too early for all nbjectors, except - ironically - the UK.

Britain will find less support for its protest against another Commission proposal to ban smoking in public places. Mr Clarke will argue that this is outside Brussels' powers, unlike the tar and labelling directives, which are seen as legitimate internal market measures.

The UK will urge Governments to take their own joint action, independently of Brussels. London will find Danish and West German support in objecting to a separate plan for an EC-wide campaign against heart disease, on the grounds that the results of an earlier anti-cancer scheme should be assessed before Brussels embarks on a new initiative of this kind.

Halting of work on dam angers Czechs

By Judy Dempsey in Vianna

CZECHOSLOVAKIA has responded sharply to a decision by the Hungarian government to halt all work on the controversial Gabcikovo-Nagymaros dam by accusing Budapest of breaking international agreements.

The sharp response may be the opening broadside in a bitter and public dispute between the two Warsaw Pact states. "This is a one-sided step by the Hungarian government. Although it has the full authority to decide on its own territory, it contradicts a Hungarian-Czechoslovak contract," the Czechoslovak anthorities said yesterday.

Agreement to build tbe dam jointly was signed by both governments in 1977. Prague fears that future energy output in the region will be greatly reduced following Hungary's decision.

Yesterday, Rude Pravo, the Czechoslovak party daily, said that suspension of the project was being used "as an instrument for the opposition forces in Hungary to cast doubts on past decisions by the country's leadership."

At the weekend the Hungarian government suspended all work on the dam, due to be completed by 1995, following a campaign launched by Duna Koer, or Danube Circle, Hungary's first independent environmental movement.

The group's experts had persistently claimed tbat the Nagymaros project was uneconomical as well as an ecological disaster. They showed, for example, that by diverting the river Danube 180 kilometres into a canal, the underground natural water filtering system would be completely destroyed.

Despite tbese arguments, work on constructing the dam was speeded up after Austria gave the Hungarian government credits and construction equipment in return for guaranteed electricity supplies.

Mr Franz Vranitzky, the Austrian Chancellor said at the weekend that he "respected the Hungarian decision."

New Yugoslav President

By Judy Dempsey in Vienna

A YOUNGER generation of leaders yesterday took over Yugoslavia's collective state presidency as the country faces one of its worst political and economic crises since the War.

The presidency, the highest constitutional and defence body in the country, will be headed by Mr Janez Drnovsek, a 39-year-old economist from the liberal northern republic of Slovenia. He is the youngest official to hold the post of national President.

Mr Drnovsek, who was chosen by his native Slovenes in a first-ever direct popular vote, heads a presidency which consists of a representative from each of the six republics and two autonomous provinces.

Mr Drnovsek faces a number of challenges, including institutionalising changes which favour a more market-oriented economy, greater powers for the Government and less interference by the ruling Yugoslav League of Communists (Communist Party), in the running of the economy.

Governments urged to strive for greater monetary co-ordination

By Alan Friedman and John Wyles in Venice

FT CONFERENCE
EUROPEAN BANKING

MR Ginliano Amato, the Italian Treasury minister, yesterday urged European governments to strive for greater coordination of national budgetary and monetary policies.

Opening tha Financial Times *conference on European banking* in Venice, Mr Amato also expressed hope that EC leaders would use their forthcoming meeting in Madrid to back proposals contained in the Delors report on European monetary union.

Mr Amato said the "original sin" of the drive toward European monetary union was the inability of governments to conrdinate budgetary policy, although he acknowledged that it was much easier for central banks to work together on monetary policies than for elected governments and parliaments of different countries to agree budgetary goals jointly.

The Italian Treasury chief lamented the absence of Sterling from the European Monetary System (EMS), calling it a major anomaly and hoped that progress might be made at Madrid in persuading the UK to join the system.

Mr Samuel Brittan, assistant editor and principal economic commentator of the Financial Times, agreed with Mr Amato on the need for the UK currency to join the EMS but offered a stinging critique of the Delors report, which "performed a disservice to tha cause of monetary union."

Mr Brittan said the worst aspect of the Delors report was its venture "beyond monetary policy into a sort of economic imperialism, a search for policies which co-ordinate, above all in the budgetary and regional spheres."

Some of the Delors report's suggested restrictions ceuld leave national governments with less fiscal discretion than regional authorities in the US or Germany, Mr Brittan charged.

Mr Brittan was equally critical of Prime Minister Margaret Thatcher's refusal to join the EMS, saying that Britain might lose all influence over future developments.

Mr Anthony Solomon, former chairman of the New York Fed, said that he hoped the single market would ensure equal treatment of firms from different countries.

In particular Mr Solomon warned of the danger that European mercantilist tendencies might subtly discriminate against competition from non-European corporations.

Turning to the Italian banking scene, Senator Guido Rossi stressed the need to legislate strict rules to prevent industrial concerns from buying control of banks and warned that the present law being discussed in Rome does not yet address the loopholes that might permit industrial companies to act in concert to take collective control of banks.

Professor Marie Monti of Bocconi University discussed Italy's strengths as a nation with the highest savings ratio in Europe, but warned that too much of the domestic savings go to finance the runaway public sector deficit.

Professor Norbert Walter, senior economist at Deutsche Bank, confidently predicted that the EC single market could expand productive capacity and provide the basis for lasting grnwth and employment. But a liberal trading policy, a firm and coherent competition policy and the "social dimension" were essential preconditions for these gains.

Mr Win Bischoff, chairman of J. Henry Schroder Wagg, spoke – from his experience in a specialised, international finance house – in favour of the advantages of specialisation as a competitive response to the large multi-purpose institutions.

Mr Andrew Large, general manager and board member of the Swiss Bank Corporation, criticised the prevalant approaches to regulation of the financial industries.

The revolution in information technology was breaking down the barriers between institutions and markets. Therefore compartmentalisation of regulation into discrete sections of securities, banking and insurance "will not make sense in the future."

He urged the EC to learn from tha UK experience of over-detailed regulatory drafting and to avoid doing the same for European securities markets.

Assessing how Italian banks would adapt to the single market Mr Sergio Siglienti, managing director of Banca Commerciale Italiana, said they would generally benefit from their previous protection.

The arrival of foreign competition in their domestic markets would cut margins and drive some marginal banks out of business.

Market share would be the most important competitive criterion in confronting foreign competition.

Italian banks' foreign activities would be much less interested in retail banking than in providing corporate financing Italian companies.

Mr Francesco Paolo Mattioli, executive vice-president of Fiat, stressed the massive changes which hava taken place in financial markets in the last 15 years in his analysis of the markets' efficiency. He thought that there had been an efficiency gain, at the expense of some stability.

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African leaders launch effort to end Angolan war

By Michael Holman, Africa Editor

EIGHT African heads of state are due to meet in Luanda today to launch an unprecedented effort to end the 14-year civil conflict in Angola between the MPLA government of President Eduardo dos Santos and Mr Jonas Savimbi's Unita movement.

The initiative comes in the wake of the US-brokered settlement in Namibia, which links independence for the territory with the phased departure of 50,000 Cuban troops from Angola. As a result the MPLA faces the eventual loss of its Cuban allies, while South Africa's direct support of Unita, which was channelled through Namibia, has ended.

Scheduled to attend the Luanda meeting, hosted by President dos Santos, are the leaders of Zambia, Zaire, Zimbabwe, Mozambique, Congo, Gabon and Sao Tome and Principe. The conference will also be discussing developments in Namibia where independence elections are due to take place in November.

Speaking in London last week, Mr Nguza Karl-I-Bond, Zaire's Foreign Minister, described the Luanda meeting as "historic." The leaders, he said, would "discuss issues likely to bring lasting peace and reconciliation" in Angola "in particular and to the subregion of southern Africa". He did not elaborate.

Unita officials have played down prospects for progress in Luanda.

In a statement issued last week in Jamba, the rebels' headquarters in southern Angola, General Demostenes Chilingutila, Unita's Chief of Staff, called for direct negotiations with the MPLA.

He ruled out what he called "the African solution advocated by various African heads of state," which envisages Unita being incorporated into an MPLA government.

In mid-March Unita outlined its own proposals. These included a ceasefire, the reopening of the Benguela railway, direct talks with MPLA leading to the formation of a government of national unity, and multi-party elections within two years.

Mr Savimbi would not expect to be a minister in a national unity government, but would lead Unita at the elections, say his officials.

India attempts to bridge the petrochemicals gap

K.K. Sharma in New Delhi looks at plans to enlist foreign assistance in primary processing projects

SCARCITY of funds has reined in the development of the petrochemicals industry in India and so the country continues to be heavily reliant on imports of various polymers.

Since this situation is straining the balance of payments, an enlarged role for foreign companies is now envisaged for the rapid installation of both crackers, large chemical plants producing feedstock chemicals from oil, and downstream units, secondary processing plants closer to the end user.

The main reason is that funds for public sector petrochemicals units are not available for four new naphtha or gas-based crackers needed since something like Rs200bn ($12.6bn) will be required over the next five years if demand is to be met substantially from indigenous plants.

Since petrochemicals has been designated a "thrust" area (the only other one being electronics) and a major expansion is envisaged, the Government's present thinking is that India's established large industrial houses should be encouraged to invest in crackers and downstream projects. These will need both foreign technology and funds and so a major role is envisaged for companies in Europe and the US.

Foreign companies are expected to be allowed to make investments of up to 40 per cent of the capital, part of which will be in plant and equipment and part in equity.

To minimise demand on the limited funds available for what are highly capital-intensive projects, Indian companies are to be told that they must raise as much as they can from their foreign partners. A limit is to be put on funds that can be raised internally.

Word of the Government policy has already got around and the result is a spate of applications from Indian companies for permission to take part in the plans for the growth of the petrochemicals industry.

"Everyone wants to set up a cracker. If they are uncertain about their chances of a cracker, they want downstream units," says a senior official involved in the petrochemical industry.

As of now, to the two existing crackers already established in India with capacities of 300,000 tonnes of ethylene each, plans are to set up another two or three in the next five years with similar production capacities. Since at least one will be given to the Government-owned Indian Petrochemicals Corporation, the private sector's share is expected to be limited to one or two crackers and a number of downstream units.

The Reliance group has already been given approval for one of the cracker sites at Hazira in Gujarat and nearly all the major industrial houses are bidding for the other two. These will probably be located in a south and north Indian site, possibly Vishakapatnam in Andhra state – for which the front-runner is Mr Vijay Mallya of the United Breweries group – and Auraiya in Uttar Pradesh which will be probably remain in the public sector.

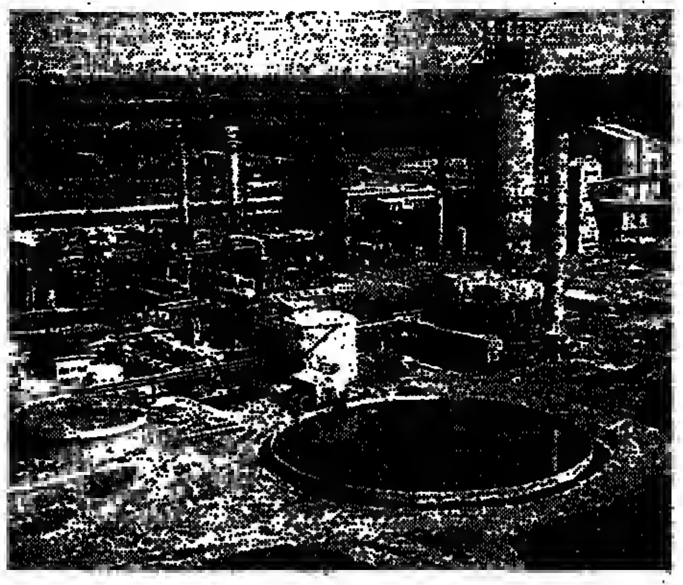
Applications for their downstream units are already being made and pushed by other companies which are also lobbying hard for rejection of their rivals' applications. Names in the waiting list include such prominent ones as the R.P. Goenka group, Birlas, Singhanias, Thapars and Vijaya Mallya. These are apart from the Ambanis of the Reliance group, Mr A.C. Muthiah and Mr Aditya Birla who are already well on their way to setting up their own petrochemical complexes.

All these will still be insufficient to meet the growing demand for ethylene and its offshoots. Current production is around 180,000 tonnes, mainly from a cracker run by Indian Petrochemicals in Gujarat state. Demand is growing at around 15 per cent a year and is expected to reach around 600,000 tonnes by 1990 and 1.2m tonnes by 1995, so considerable imports are inevitable even after the new crackers are commissioned.

Part of the foreign exchange required is to be met by exports of ethylene to be produced from naphtha specially imported for the purpose. This has become possible following the quick approval of a Rs8.4bn, 100 per cent export-oriented cracker proposed to be established in Madras by the R.P.Goenka group with Linde of West Germany.

This has been followed by a similar proposal by the Reliance group for a Rs8bn unit at Gujarat, based partly on imported naphtha. Technology for this complex is expected to be provided by ICI of Britain and naphtha for it will be obtained from an oil refinery to be set up by Reliance and imports from south-east Asia. The Reliance proposal is expected to get approval in the next few weeks.

One of the main attractions of 100 per cent export-oriented units is that they can normally sell 25 per cent of their production in India. The Linde-Goenka proposal has, however, has been approved and a letter of intent issued on the condition that a much smaller percentage will be sold in India. Similar touch conditions are expected to be attached to the Reliance proposal since the main reason for approving the projects is to earn foreign exchange for the country.



The ICI plant at Kanpur, Uttar Pradesh, showing the naphtha steam reformer in the foreground. The need for further development of cracker plants to produce oil-derived substances such as naptha is becoming acute in India, prompting the Government to encourage investment from foreign companies. But even this will not meet demand for ethylene which is growing at around 15 per cent a year.

Israeli banks agree cuts in interest rates

By Hugh Carnegy in Jerusalem

ISRAEL'S banks have agreed to make early and substantial cuts in short-term interest rates to avert a threat by the central bank, the Bank of Israel, to use its powers to impose a cut in the cost of credit.

The Bank of Israel acknowledges the move will cost the commercial banks, dominated by five groups, as much as shekels 500m (£162m) in after tax income this year. But it believes reducing interest rates will take the pressure off commercial borrowers in a *period of economic stagnation* and ultimately help to improve the banks' recent record of heavy loan loss provisions.

The issue came to a head last week when Mr Michael Bruno, the Governor of the Bank of Israel, threatened to force a cut in rates for short term *non-linked shekel loans* from the present average of more than 36 per cent to 30 per cent if the banks did not do so voluntarily by June 1. The banks agreed to comply at a subsequent meeting with Mr Bruno.

Unlinked shekel loans are one of the main sources of revenue for Israeli banks which are otherwise heavily constrained by restrictions on the proportion of deposits they can lend to customers. They also have to carry a heavy burden of government lending and borrowing, acting, in effect, as agents for the government at government-determined rates of interest.

This has fuelled the tendency to charge a high return on those loans that are unrestricted – the present unlinked shekel rates are some 20 per cent ahead of inflation.

To mollify the banks, Mr Bruno has agreed to consider measures to ease the restrictions on their activities and he may cut the rate at which the Bank of Israel lends to the commercial banks.

Bank profitability in 1988 was severely depressed by more than $1bn of provisions made mainly to cope with bad debts incurred by the Kibbutzim co-operative movement.

But underlying provisions were also at uncomfortably high levels, as they hava been for the last three years.

The Bank of Israel is concerned to tackle such issues as the government is considering extricating itself from the majority shareholdings it acquired when rescuing the banks from a share crash in 1983 by some form of privatisation.

Lenders take up S African exit option

By Stephen Fidler, Euromarkets Correspondent

SOUTH AFRICA'S foreign creditor banks have embraced an option in the financing arrangements the country introduced in early 1987, which allows them to escape further negotiations with the South Africans and to cease being a lender to the country by 1997.

According to bankers, banks have exchanged some $3.5bn of loans for special exit securities which will mean they will not have to be involved in talks with the South Africans over a new *financing arrangement* meant to cover the treatment of its foreign bank debts from July 1, 1990. This is almost 25 per cent of the bank finance that falls within the net of the interim arrangements.

In the largest conversion, Citicorp, the biggest US bank, has converted substantially all its South African exposure – $666m – into the exit vehicle.

Most of South Africa's main creditors are said to have taken at least some of the exit opportunities, and the window remains open for those that wish to make further conversion. But the banks' moves are likely to be controversial, since the exit vehicle promises no principal repayment for the banks in 1990 and 1991, a critical period when the country is due to make large amounts of principal repayments to bondholders. Anti-apartheid groups will see tha conversions as playing into the hands of the South African Government.

Indeed, in South Africa, the conversion is being seen as an important breakthrough in the country's battla against economic assault from abroad.

In defending their decisions to convert, bankers argue:

- While the bonds allowed a two-year period of grace for South Africa in 1990-1991, they believe it unlikely the next so-called interim arrangement will allow bank lenders to receive principal payments in 1990-91 anyway.
- Some believe that otherwise they would not be able to exit South African lending before 1997.
- Many say the exit vehicle likely to be offered in the next arrangement will not offer such advantageous terms.

The exit vehicle allows the banks to receive principal repayments between 1987 and 1990. Than from 1992, the bonds are repaid over five years in equal semi-annual installments. Banks, normally paid a margin of ⅞ point over money market rates, can renegotiate the margin on the exit vehcile of up to 1⅞ point.

US-UK consortium plans waste plant in Morocco

A BRITISH and US consortium hopes to build the world's largest waste processing plant in Morocco to produce electricity and other useful byproducts, an official said yesterday, AP reports.

Mr Pat Dolan, a director of the Midco consortium, said the group hoped to export 2,000 tons of waste from Europe and America to Morocco a day for processing at the plant, which would be unique in producing several byproducts at once.

Disposal plants typically produce one byproduct and the largest in existence processes 700 tons of waste a day to manufacture aggregate, a building material used to make cement, he said.

Midco has presented plans to Morocco's King Hassan, and if an agreement is reached it could build the plant in 18 months, Mr Dolan said in a telephone interview from his home in Saskatoon, Canada.

He was commenting on a report in The Guardian newspaper, which said it had been sent the Midco plans by a man who feared what the newspaper called a lack of "proper control."

The newspaper quoted a man said to be a consortium employee as saying he believed the group did not have the expertise to carry off the project.

Gandhi proposes radical reform of Indian villages

By David Housego in New Delhi

MR Rajiv Gandhi, the Indian Prime Minister, used the last day of the current session of the Indian Parliament yesterday to introduce an amendment to the constitution that has been denounced by his opponents as an election stunt, but which could radically transform the landscape of village India.

Gandhi: accused of electioneering

The proposed amendment puts local self-government on a permanent footing by making it obligatory under the constitution to hold elections to village councils and other district institutions every five years. For the first time also it gives locally elected institutions considerable anthority over the type of projects to be carried out and the financing of them.

Coming at the end of Mr Gandhi's five-year tenure of office, the measure has been condemned by the opposition as electioneering. It also robs the opposition, which has long pressed for greater decentralisation, of a major plank of their election platform.

In response to a confidently delivered speech in the Lok Sabha yesterday, a bewildered opposition said it was not opposed to giving more power to local councils but had strong objections to the means chosen by the Prime Minister.

In particular opposition MPs accused the government of trying to undermine the power of state legislatures - where opposition or regional parties are often in the majority - by channeling funds directly to village institutions.

Nostalgia for a rural India conceived as a succession of self-governing "village republics" runs deep in the country's history and was nurtured by Mahatma Gandhi. The Prime Minister returned to this theme in his speech yesterday when he developed what will clearly be an election campaign theme of returning "power to the people".

But local self-government has a dismal record because the local councils have been given insufficient powers, elections to them have been irregular, and they have been overturned by more powerful state assemblies. Of most concern to villagers, funds have been siphoned off by politicians and middlemen.

The new measure provides for three tiers of elected local government - at village, district and intermediate level. They will be responsible for a wide range of development and poverty alleviation programmes.

To prevent them being being dominated by local landlords, the scheduled castes (untouchables) will have seats reserved for them in proportion to their population. In addition 30 per cent of the seats will be reserved for women.

Mr Gandhi said the new measures would put an end to "the vice-like grip" that "power brokers" have obtained over the system.

Opponents were quick to point out that his new attack on "power brokers" - the machine politicians who run the Congress party - coincides with his drafting some of them back into the administration for the election campaign.

The opposition also pointed out that Mr Gandhi's new found concern with local democracy clashes with the government's record in overturning state governments and postponing local elections as in Delhi.

Tokyo to probe lost US H-bomb

By Robert Thomson in Tokyo

JAPAN announced yesterday that a task force would examine the consequences of a 1965 incident in which a hydrogen bomb was lost near the Okinawa island after a warplane rolled off an aircraft carrier en route from Vietnam to Japan.

The US has told Japan that the bomb had leaked radioactive material but said there was no danger. US research indicated that the nuclear substances that spilled into the sea were heavy enough to stay at their present depth and would not escape to contaminate e wider area.

The accident has stirred concern in Japan about the probable violation of an agreement not to introduce nuclear weapons to Japan and has prompted protests against the US military presence.

Mr Sousuke Uno, the Japanese Foreign Minister, announced the formation of the task force. He described the US account of the accident as convincing. The carrier was apparently on its way to the Japanese port of Yokosuka, which explains a reluctance to discuss the destination, as the presence of a nuclear-armed vessel in a Japanese port violates the country's nuclear policy.

Prices put pressure on Japan discount rate

Speculation is mounting of interest rate rise to curb inflation, writes Stefan Wagstyl

THERE is mounting speculation in Tokyo that the Bank of Japan is preparing to raise the Official Discount Rate for the first time since 1980 to forestall a possible resurgence of inflation.

An increase of half a percentage point from the current level of 2.5 per cent in the ODR is already discounted by most investment managers, according to securities brokers. Stock prices would react sharply only if the increase was three-quarters of e point or more.

A growing number of analysts argue that the Bank of Japan, the central bank, might have raised rates already had it not been afraid of disrupting the currency markets by weakening the US dollar. But the recent rise in the US currency has eliminated mnch of the risk.

Nevertheless, other analysts say the central bank may still not raise the rate. They point to the bank's concern partly about the possible impact of an ODR rise on rates in other countries, and partly about accurately measuring the true danger of inflation in Japan. The underlying rate of increase in prices has been obscured by the introduction last month of a 3 per cent consumption tax.

Also, the Japanese Ministry of Finance, which is primarily responsible for both foreign exchange policy and for the new tax, is understood to be opposed to an immediate rise in the ODR.

Mr Soichi Enkyo, head of national economic analysis at the Bank of Tokyo, says: "The time is ripe for the Bank of Japan to raise rates but the Ministry of Finance is cautious about it."

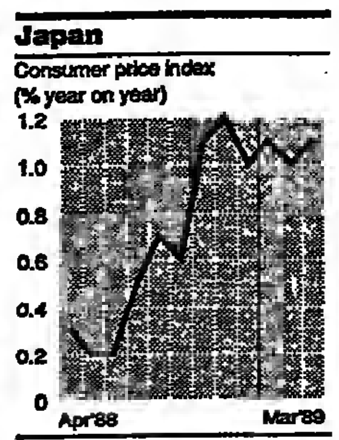
Nevertheless, a growing body of analysts believes the Bank of Japan's view will soon prevail.

"The indications are that the Bank of Japan will raise the ODR by the end of May," says Barclays de Zoete Wedd, the securities arm of Barclays Bank, in a report.

The central bank denies that it has changed its monetary policy in a way which would require an increase in the ODR. However, analysts have detected rising concern abont inflation in public statements by Mr Satoshi Sumita, the bank's governor.

In the wake of financial liberalisation in Tokyo, changes in the ODR have less direct impact on market rates than in the days when market rates were tied to the ODR. The ODR is now some 2 percentage points below short-term market rates.

Nevertheless, any increase would have a powerful symbolic effect, as a sign of an intention to tighten money supply.



Japanese interest rates have already risen in the open market from 4.3 per cent for three-month Euroyen deposits to 4.9 per cent – mainly in response to rising rates elsewhere. The central bank is worried that, if the yen stays weak, the gap between Japanese and US rates may force a rise in the ODR.

Bank of Japan officials say recent signs that US interest rates are easing may give Japan a breathing space – but unless the yen rises once again there is a real risk of importing inflation.

The central bank's worries about inflation date back to last autumn when the year-on-year rate of increase in consumer prices exceeded 1 per cent. While this is an insignificant rate compared with most other industrialised countries, the Japanese authorities worry about the psychological impact of creeping inflation in a country where people are conditioned to stable prices for most things except real estate.

In March, the last month for which figures are available, prices rose 1.1 per cent. However, the introduction of consumption tax on April 1 has been exploited by many traders as an opportunity for passing on price increases. This is especially true in consumer services – price increases in barber shops, for instance, have made headlines.

In the Tokyo area prices rose by 2.6 per cent over the month. The figure for the whole country is due to be published next week.

On the international side, the main concern is with oil prices, which have risen by nearly 50 per cent since the end of 1988. The success of Japan's manufacturing industry tends to obscure the country's almost-complete dependence on imported energy.

But oil analysts in Tokyo believe the worst may now be over – prices should ease over the summer as Organisation of Petroleum Exporting Countries increases production to offset losses caused by accidents in the North Sea.

Meanwhile, the yen's recent fall against the dollar may also put pressure on industry's costs. Nevertheless, an increase in the value of the yen of about 8 per cent since the beginning of the year will not dent margins unduly. Industry will be under some pressure not to put up prices at the first opportunity, given the gains it made when the yen rose from 1985-87.

The central bank is more worried about developments at home. It breathed a sigh of relief when the national average annual wage increase was set last month at 5.1 per cent. However, this applies mainly for the permanent staff of large companies. There are frequent reports of labour shortages at small enterprises, especially on building sites and in restaurants, shops and bars. Construction materials are also in short supply.

Nevertheless, there are signs that the economy is continuing to slow after spectacularly rapid growth in the middle of last year. Industrial production in Marcb was up 8.7 per cent year-on-year, compared with e 10.9 per cent rise in the year to March 1988.

This means the pressure on prices should ease – even though economic growth remains strong by the standards of most industrialised countries.

PLO condemns Israeli poll plan

By Our Middle East Staff

THE PALESTINE Liberation Organisation responded coldly yesterday to detailed Israeli proposals for elections in the occupied territories, which were approved in the form of a 20-point plan by the Israeli cabinet at the weekend.

"It's quite clear that the PLO can't take the proposal seriously in any way," said Mr Jamil Hilal, director of the PLO information department in Tunis. "It's a ridiculous proposal." Other Palestinians gave a more nuanced response to the Israeli election plan, but they expressed several fundamental objections which will have to be discussed with American intermediaries.

The Israeli plan allows Palestinians to elect representatives to negotiate with Israel, but it rules out the idea of an independent Palestinian state in the West Bank and Gaza. One of Israel's principal aims is to end the 17-month-old Palestinian uprising, which has embarrassed the Israeli government abroad and demoralised the army.

"Israeli Prime Minister Yitzhak Shamir is playing for time," said Mr Bassam Abu Sharif, political adviser to Mr Yassir Arafat, the PLO chairman. "He is seeking a temporary truce ... We do not want a truce. We want a comprehensive and permanent peace."

PLO officials cited several conditions which they said Israel should meet for the organisation to approve elections, including an Israeli withdrawal from the occupied territories, international supervision of the polls, and a guarantee that the elections and the "transitional period" proposed by the Israelis should be part of an overall process leading to a comprehensive peace settlement and Palestinian self-determination.

Although such points do not yet constitute an official, united PLO position, they seem to be the minimum the various Palestinian factions would accept for approving elections.

Mr Abu Sharif has a relatively flexible position, but the left-wing factions and even some members of Mr Arafat's mainstream Fatah group insist that a complete Israeli withdrawal and the establishment of an independent Palestinian state are non-negotiable.

Palestinians in the Israeli-occupied territories yesterday greeted the new plan with a general strike in the West Bank and Gaza.

Leading Palestinian figures said Mr Shamir's initiative failed to meet their minimum demand for an independent Palestinian state and so did not represent much progress in the search for a settlement. But they have been careful not to close the door completely on the plan, which allows the possibility of limited self-rule followed by an unspecified final settlement. This has left room for the US to try to bridge the gap between the two sides.

Palestinians acknowledged that the Shamir plan, with support from both his right-wing Likud bloc and the Labour Party, did represent an important gain for Israel in the battle for international backing after a period of diplomatic ascendancy for the PLO. "That is why it is very difficult for Palestinians to say no to this idea," said Mr Daoud Kuttab, a prominent journalist. "That is why we have to try to finesse the plan."

In Cairo Mr Dennis Ross, a special US envoy on the Middle East, welcomed Mr Shamir's elections proposals but said that more time was needed to study them. Visiting Egypt after talks in Israel over the weekend, Mr Ross said the election plan had "elements that can be built on".

Haj may elude Iranians

By Victor Mallet

IRANIAN participation in the this year's Haj - the annual Moslem pilgrimage to Mecca - appeared increasingly unlikely yesterday following reports of increased tension between the governments of Iran and Saudi Arabia.

For the second day running the Tehran newspaper Jomhuri Eslami accused Saudi Arabia's ruling family of blocking an agreement on Iranian pilgrims.

At least 400 pilgrims, many of them Iranians, were killed in clashes between Saudi security forces and anti-Western demonstrators in Mecca two years ago, and last year Iranians did not attend.

Saudi officials say Iran has yet to send a delegation to discuss arrangements for its quota of 45,000 pilgrims, and it may be too late to make the necessary preparations. Iran wants to have 150,000 people on the Haj, but Saudi Arabia says the quota system applies to all pilgrims and is needed to ease the pressure on the holy sites during refurbishment.

AMERICAN NEWS

Argentine victor stays aloof

By Gary Mead and **Robert Graham** in Buenos Aires

LIKE a true actor, Mr Carlos Menem knows how to keep his audience waiting without disappointing them.

Yesterday, be stayed away from the Argentine capital, Bueuos Aires, savouring his victory in the presidential election of the previous day, refusing to alter a previous engagement for a giant barbecue in the provinces. The invitations were sent out to "Meet the President", even as the polls opened on Sunday morning.

Mr Menem preferred to stay in the wings until the stage was fully cleared for a triumphal entry into Buenos Aires. This could take place today or tomorrow. Such is his confidence in his own messianic role he can afford to take his time.

Two days before the election, an elaborately scaffolded podium was erected outside the Peronist party's election night headquarters in the main boulevard of Buenos Aires. The ruling Radical party of President Raúl Alfonsín was rightly cautious in its preparations for any possible celebration.

Mr Menem had been due to make the two-hour flight from his native La Rioja – the north-western Argentine state where he is governor – on Sunday evening. As the first results becama known, at about 9 p.m., groups of Peronist supporters, with blue-and-white Argentine flags wrapped around themselvas, began to congregate in front of the Peronist open-air theatre.

The capital's streets, oddly silent throughout Sunday, began to resound with victory hoots from cars. Partisans of other parties, fearing trouble, left the streets to the Peronists.

They shouted "Perón Perón, how great you are!" in ritual salute to the late founder of their movment, Juan Domingo Perón. Leaping into the air, the enthusiasts yelled: "If you don't jump, you're a Radical!"

They were not disappointed when, at about midnight, it became clear that The Presence was not going to appear. Governor Menem's first loyalty was to the provinces.

The subdued sense of festivity was in marked contrast to the evening in October 1983, when Mr Alfonsín swept to victory amid euphoric scenes that put 13 years of military dictatorship behind Argentina. He changed the cast and the play; Mr Menem will simply start a new episode, when he assumes office in December.

Yesterday, another and more familiar crowd was to be found in Buenos Aires – outside the office of the money-changers. Mr Menem, a Catholic convert from the Islamic religion of his immigrant forebears, has promised to rid the country of "usury and financial speculation".

Whether or not the money-changers believed their temple was to be overturned, they were still doing roaring business yesterday, elections or no election, and Argentines in the capital still showed their stronger faith was in the dollar.

The Menems triumphant: Carlos and his wife Zulema gaze into a troubled future

ARGENTINE ELECTORAL RESULTS

Party	1983	1987†	1989
Popular vote (%):			
Peronist	40	41	47
Radical	52	37	37
Others	6	22	16
Electoral college seats*:			
Peronist	259		617
Radical	317		232
Others	24		51

†Mid-term legislative elections
*Out of total of 600 seats

World Bank urged to boost backing for privatisation

By Peter Montagnon, World Trade Editor

THE WORLD Bank should put more resources towards supporting privatisation of state-owned enterprises in the developing world, as part of a general effort to boost the role of the private sector in development.

This is one of several recommendations from a special group set up last year by Mr Barber Conable, bank president, to review policies towards the private sector, and which brought together leading international business people and senior bank officials.

The recommendations have been published by the bank in a report, Developing the Private Sector. Mr Conable said it "describes the framework and sets the agenda for the World Bank group in private sector development."

Among other proposals are that the bank should expand its lending programme in support of financial market reform in its client countries, that it should do more to promote local capital market development, and that lending to national development finance institutions should be reviewed because its record is "at best mixed."

The report also says that the International Finance Corporation should be promoted as the main bank group vehicle for the direct financing of private sector industrial projects, that the bank group should work to improve the climate for small business in developing countries, and that the IFC and the new Multilateral Investment Guarantee agency should strengthen their efforts to promote direct investment in developing countries.

Underlying the report is the belief, which the bank notes has grown in the 1980s, that boosting the private sector through the right macroeconomic and regulatory background plays an important role in development. Even the state-planned countries are now showing a greater interest in market-oriented economic policies and the introduction of competition to their economies, it says.

On privatisation, the report notes that thin local capital markets, resistance to purchases by foreign and minority investors, difficulties in setting a sale price, political obstacles and labour opposition are all impediments to privatisation. The bank needs to improve its advisory capacity, it concludes.

Basic financial market reform is essential, meanwhile, for a return to solid growth, it adds.

Tim Coone assesses a potential confrontation in Central America

Washington's envoy leaves Panama

MR ARTHUR Davis, US ambassador to Panama, returned to Washington yesterday, having been recalled for consultations by President George Bush.

Before his departure, be told reporters, "I will return to Panama when conditions permit the reestablishment of normal relations between the United States and a legitimate government in Panama. I will continue to work for the creation of a free and democratic Panama".

Short of breaking diplomatic relations, this is one of the strongest diplomatic measures the US can take in its fight with the regime of Gen Manuel Noriega, Panama's strongman, and signals a further deterioration in bilateral relations.

Asked if there was any truth in stories that he was behind an alleged plot to put poison in the general's food, Mr Davis said: "No, but it's not a bad idea".

Refusing to comment on the possibility of a US military intervention in Panama, if diplomatic efforts were to fail to remove the general, Mr Davis said: "It is not my decision. The best solution for Panama would be that the Panamanian Defence Forces take care of it internally".

A general strike and national protest is being sought by Panama's opposition leaders for the same day.

The opposition is calling for a recognition of its victory in the May 7 general election, in which, according to independent observers, the opposition won by a three to one margin.

Slower US growth confirmed

By Anthony Harris in Washington

REAL US industrial output rose by 0.4 per cent in April, according to Federal Reserve figures released yesterday, but the earlier estimate for March was revised down to a rise of only 0.1 per cent. The year-on-year growth figure is now 4.2 per cent, confirming other signs of slower growth.

Industrial output was up more than 5 per cent year-on-year earlier this year.

The rise was slightly more than market economists had forecast because of the March revision, but the new level of the index at 141.1 was slightly below expectations, and there was no market reaction. The figures are likely to reduce any pressure for policy change at the Federal Open Market Committee meeting today.

Bush seeks crackdown on firearms-related crimes

By Peter Riddell, US Editor in Washington

TOUGHER penalties for firearms-related crimes, curbs on the amount of ammunition carried in firearms and an expansion of the US federal prison system were yesterday proposed by President George Bush in his long-awaited anti-crime package.

He also intends to make permanent a ban on imports of semi-automatic assault rifles not for sporting purposes. But, after pressure by the gun lobby, he has decided against any ban for similar domestically produced weapons, which account for three-quarters of those in private hands. An official said the president did not want to become mired in a "fruitless debate" about how to define assault weapons.

In response to calls from police officers, the Administration is proposing legislation to ban the manufacture or sale of gun magazines containing more than 15 rounds, because such large magazines are common in criminal use of assault weapons.

The proposals represent a compromise on guns. Congressional leaders having warned that the anti-crime package could face problems if suggestions were included for nationwide registration of all military assault rifles. The pro-gun National Rifle Association has stepped up its lobbying after imposition of the temporary ban on imports of such weapons.

The package stresses stiffer penalties and increased resources for law enforcement. Mr Bush has urged doubling the current five-year minimum sentence for using a semi-automatic firearm in a crime, and extension of the types of murder subject to the death penalty.

G7 in debt cut talks

By Stephen Fidler, Euromarkets Correspondent

SENIOR officials from the Group of Seven industrialised countries and representatives from commercial banks met yesterday in New York to discuss proposals for the reduction of Third World debt.

The G7 people and the banks, members of the Baker Initiative Committee, were expected to meet in all-day session, but officials have been keen to stress the purpose of the meeting was not negotiation but an exchange of ideas.

In his March speech, calling for a new approach to the debt crisis, Mr Nicholas Brady, US Treasury Secretary, suggested that efforts be made to reduce the regulatory, tax and accounting obstacles to voluntary debt reduction.

However, the US Internal Revenue Service, a Treasury department, has been criticised for a tax ruling, delivered early this month, which would severely limit the willingness of US banks to take losses on their loans to developing countries.

Tension rises by the canal

TWO contrasted images emerged from Panama at the weekend.

One was the serene sight offshore of giant oil tankers and bulk grain carriers tugging gently at their anchors, waiting their turn to pass through the Canal.

The other was lorries of riot police cruising the streets, anticipating trouble, and on the other side of the Canal, feverish activity at the US Air Force's Howard Base as troop reinforcements were brought in aboard huge C-5 and C-141 transport aircraft in preparation for a possible confrontation with the Panama Defence Forces (PDF).

A stream of American cars stopped momentarily at the checkpoint of Fort Clayton, and then passed into the US army base. All US soldiers and their dependants living in Panama City have been ordered by President George Bush to move into the protection of US military installations.

"We emphasise that this is not an evacuation," said a US military spokesman at the headquarters of US Southern Command (Southcom) in Panama. "It is a situation that may last for a day or so; it may be 10 or more."

The Panamanian crisis appears to be nearing its dénouement. General Manuel Noriega, the local strongman, was served notice by the US president last Thursday that he must step down or face the consequences.

The arrival by air and sea of an extra 2,000 US combat troops, with their armoured vehicles, to reinforce the 10,000 already based in Panama, and a promise or more to come if necessary, is an unequivocal message. The diversion of an aircraft-carrier towards Panama recalls memories of the 1983 Grenada invasion. The stage is set for an intervention.

Whether there will be an armed clash depends on whether intense diplomatic efforts around the world achieve the objective of persuading Gen Noriega to quit as head of the PDF. Mr Bush said last Thursday that this would bring about an immediate normalisation of relations with the US. The electoral fraud a week ago and the subsequent violence unleashed against the opposition has left the general isolated.

If diplomatic efforts fail, the PDF itself might decide to oust its commander.

The loyalty of PDF officers to Gen Noriega remains an unknown. Mr Bush made an urgent appeal on Saturday for the PDF and the Panamanian people to act against the general.

If other options fail, however, the likelihood of a confrontation is high. Mr Bush emphasised that reinforcements are being sent to Panama to protect American lives and "to assert and enforce US Treaty rights under the Panama Canal Treaties".

A military spokesman at Southcom claimed that, since February 1988, there have been 1,200 treaty violations by the PDF. These included unauthorised stoppage and detention of US military personnel travelling in Panama. The treaty stipulates that vehicles of the US armed forces may move freely in Panama on official business.

Aggressive enforcement by Southcom of these rights began at the weekend by the running of military convoys between defence sites. One western diplomat said: "The Americans are sick of having their noses rubbed in the dirt and are itching to hit back".

Brigadier Mark Cisneros, head of operations at Southcom, last week made clear in a letter to Gen Noriega that any injury to US citizens resulting from the current tension would be viewed "extremely seriously". That has to be seen alongside threats by the Panamanian "Dignity Battalions" to carry out terrorism against US citizens in Panama. The trigger for a confrontation is set to be pulled.

If the PDF chose to stand and fight, its 15,000 troops (which includes police, paramilitaries and support personnel) could pose a serious problem, even to a hugely superior US force. It would be relatively easy for them to sabotage the Canal. The 41,000 US citizens living in Panama would also be an easy target for hostage-taking. The PDF, lacking heavy weapons, would most likely disperse and fight a guerrilla war.

Policing after an intervention might prove a military and political quagmire. The unofficial results of the May 7 elections gave 30 per cent support to the government candidate – more than adequate to provide the social base for a guerrilla movement. If a new police force and army had to be built from scratch, US forces would be required to police the country, involving a commitment of tens of thousands of US troops.

Although a military intervention might provide a tempting, quick solution for a US government sick of the Panamanian crisis, it is plagued with risks, not to mention huge political repercussions elsewhere in Latin America. Having grasped the big stick in its war of nerves with Gen Noriega, the US is now faced with the ugly consequences of using it if the threat were ignored.

WORLD TRADE NEWS

Soviet Union and Egypt sign Sinai power plant deal

By Tony Walker in Cairo

EGYPT and the Soviet Union yesterday signed a $120m "soft loan" agreement for the construction of a 600 MW power station in the Sinai Desert, in a further indication of renewed growth in economic ties between the two countries.

The agreement for the Ayun Musa power station was initialled by Mr Konstantin Katushev, Soviet Minister for Foreign Economic Relations, and Dr Morris Makramallah, Egypt's Minister of International Co-operation.

It follows confirmation last week of an offer of funds for the modernisation of Soviet-supplied steelworks and power plants built in the 1950s and 1960s when Moscow-Cairo ties were close. Two-way Soviet-Egyptian trade is running at about £600m annually.

Egyptian officials said goods bartered through a special pound sterling clearing account that is used to denominate trade between the two countries would pay for the project. The repayment period is 12 years, with 5.5 years grace on payments of principal.

Mr Maher Abaza, the Minister of Electricity, said that the decision in March to increase electricity prices to industry by 30-40 per cent in line with the demands of international lending institutions had cleared the way for the disbursement of new loans.

Mr Abaza expected that by the end of the year both the World Bank and the United States Agency for International Development would be actively involved in funding new projects. Discussions were held recently with a World Bank team on a $180m loan for the power sector.

USAID has earmarked about $180m for power projects this year, Mr Abaza said. Egypt would soon call tenders for the first stage of a power project at Zafarana on the Red Sea coast, south-east of Cairo.

US 'unfair traders' threat yields productive talks

By Nancy Dunne in Washington

MRS CARLA Hills, the US Trade Representative, says that the deluge of foreign government officials descending on her agency to avoid being designated "unfair traders" has produced a series of intense and productive negotiations.

In the past two weeks, officials from Japan and South Korea have come to Washington for new talks on reducing their trade surpluses – to avoid being named "priority countries" under the Super 301 provision of the new trade law.

Mrs Hills is required by law to target "priority countries" or "priority practices" for special negotiating pressure by May 30. Her recommendations are reportedly scheduled to go for White House consideration by May 18.

Foreign policy considerations are now being thrashed out in an inter-agency group, she said. A key determinant for designation will be the markets with "maximum opportunities" for US exporters.

Mrs Hills believes the new law has been unfairly attacked by many US trading partners.

She sees designations under Super 301 as a tool of Administration policy to force markets open, and as consistent with the aims of the General Agreement on Tariffs and Trade.

"We do not contemplate using it in a bullying or unilateral fashion," she said, adding that US successes in opening the Japanese beef and citrus markets have benefited the Australians and Italians as well as Americans.

"There will be no surprises. There will be no practices or barriers that we have not talked about – that have not created problems, not just for us, but for the world trading system."

TI plans Taiwan chip venture

By Louise Kehoe in San Francisco

A $250m (£150m) semiconductor chip plant is to be constructed in Taiwan under the terms of a joint venture agreement between Texas Instruments, the US semiconductor manufacturer, and Acer Incorporated, the largest Taiwanese computer company and a major producer of personal computer "clones."

The companies have agreed to form a privately held joint venture to manufacture Dynamic Random Access Memory (D-Ram) chips in Taiwan. Construction of the new wafer fabrication facility is expected to begin in September, with initial production scheduled for mid 1991.

Acer will provide most of the funding and will own 74 per cent of the joint venture. TI will provide some funding plus the design and manufacturing technology needed to build and operate the facility. The US company will have a 26 per cent stake in the joint venture with the option to acquire up to 51 per cent over the next five years.

Chips produced at the plant will be sold exclusively to TI, which in turn will guarantee up to 50 per cent of production to Acer, the companies said.

Joint ventures of the type forged by TI and Acer may be followed by similar ventures between US chipmakers and US computer manufacturers, government and industry officials hope.

Dumping to some, but lifeblood to users

US industry is angry at clampdown on ball-bearing imports, writes **Peter Montagnon**

DUMPING margins of 80 per cent are an outrage. How can a domestic industry compete against that level of unfair trade?

This is how Mr David Gridley, industry manager of the Torrington Company, of Torrington, Connecticut, justifies the case his company has successfully brought in the US against dumping of foreign ball-bearings.

The case, in which producers from nine countries, ranging from Japan and Sweden to Thailand and Romania, have been found to be selling bearings at less than fair market value, is not only one of the largest anti-dumping suits affecting annual imports of some $650m. Just as the US action two years ago against Japanese semiconductors brought an outcry from users, the bearings case has also unleashed a storm of protest from consumers. Some say they will press for the trade law to be changed because it ignores their interests.

Among their claims are that companies should be allowed to bring dumping cases covering only products they actually manufacture, that the effect on users should be formally taken into account when determining injury to the domestic producer, and that the methodology used to calculate dumping margins should be changed to make it more objective.

On the surface, the case looks straightforward. The figures in the accompanying table show clearly why the International Trade Commission, the US government agency, determined this month that the US industry was threatened by a growing flood of cheap imports.

With Commerce Department calculations simultaneously showing dumping margins on some products ranging up to 212.45 per cent compared with the prices of the equivalent domestic product, it is easy to conclude that imports are behind the problems being faced by companies such as Torrington. Certainly Mr Gridley is in no doubt that his industry is entitled to protection against imports.

"There was very large dumping going on in the US. That is illegal," he says. "We are not 'anti' any trading partner. We are not protectionist. We are just asking for enforcement of US trade law."

Had the product concerned been anything other than ball-bearings, that approach might have passed unchallenged. But ball-bearings are a staple part of almost every engineered product and a range of companies including such big names as Caterpillar, Hewlett Packard, General Electric and Black & Decker are furious at what they see as an unjustified attempt to make them pay for the shortcomings of the domestic industry.

One of their biggest grievances is that Torrington, which controls only about 25 per cent of the market, included in its complaint a whole range of bearings which it does not itself manufacture. Some of them are simply unavailable from US domestic producers. Some are available only at sub-standard quality and on unreliable delivery schedules. Yet all will now cost more as a result of increased duties imposed on dumped products.

According to the American Manufacturers for Trade in Bearings industry grouping, whose members purchase more than 200m standard commodity ball-bearings each year, the product is in short supply around the world. Mr George Hupfer, Commodities Purchasing Director for Black & Decker, said in evidence to the ITC this year that his company was "scouring the world" for enough commodity bearings to keep its factories running.

Torrington does not make this product, and the three US companies which do – American NTN, Koyo and NSK – say they are working at full capacity.

General Electric, meanwhile, claims it is unable to obtain the bearings it needs for aircraft engines from any domestic supplier. Caterpillar says the oil-film bearings it applies to engine crankshafts are in short supply. It managed to have this particular bearing dropped from the list of affected products, but other users were not so lucky. They now face vastly increased bills.

So frustrated are the users that some even accuse Torrington of seeking to carve out a monopoly in the US, a charge which Mr Gridley vigorously denies.

US BEARINGS INDUSTRY

	1985	1986	1987	1988
Import penetration (%)	18.6	20.5	21.4	24.1†
US industry workforce	21,179	19,996	19,521	19,468†
Imports ($bn)	0.463	0.492	0.515	0.676‡
US producers home sales ($bn)	2.030	1.900	1.900	2.110‡

†Figures cover first three quarters only. ‡First nine month figures annualised.

Source: US International Trade Commission

Torrington brought the case on behalf of the entire industry which was losing some $700m in sales as a result of the dumping, he says. It was purely accidental that through the use of generic terms for bearings some particular lines slipped in to the case which were not made in the US.

That, however, is cold comfort for the users. Once the case is under way, the ITC has no formal obligation to take account of user interests. This is in marked contrast to the European Community's own controversial anti-dumping rules where the Commission has to consider the broader economic interest in applying its findings.

According to Mr William Canis, Washington-based governmental affairs manager for Caterpillar, consumer concerns "should be taken into account every step of the way".

If they are not, he says, the risk is that other countries, even those such as Mexico which now operate dumping policies of their own, will eventually strike back in kind.

Moreover, to the tune of $3bn, Caterpillar is a large exporter in its own right. Forcing up its input costs is the last way of helping it to remain competitive in international markets, just at a time when the US badly needs competitive exports to combat its yawning trade deficit.

The bearings case has also raised concern over the methodology used by the Commerce Department to calculate dumping margins.

According to one Washington lawyer familiar with the process, this is tilted in favour of a positive finding of dumping. That is all right when the margins are very high, but in the bearings case where most fell into the 10 per cent to 80 per cent range, the lowest was just 0.5 per cent, a level which could have gone either way depending on the way the margin was calculated.

The users generally acknowledge that changing the rules on the basis of the bearings case alone will be difficult, although some see an opportunity in the context of the Uruguay Round of multilateral trade negotiations.

Mr Robert Mosbacher, Secretary of Commerce whose department administers the anti-dumping laws, would have to weigh up the need to make US exporters competitive by keeping their costs down with the need to ensure the survival of what are regarded as key strategic industries.

Japanese to try to convince US they have honoured trade deals

"WAS THERE anything wrong with my arguments? Was my presentation good?"

An interview with this journalist over, a senior official at Japan's Ministry of Posts and Telecommunications sought guidance in preparation for what will be a torrid trade week for the ministry and the country, **Robert Thomson** writes from Tokyo.

In coming days, the official hopes to convince a sceptical US audience that the ministry has honoured past telecommunications trade agreements – and that the US should not impose the first of what could be many punitive tariffs on Japanese products in this present round of trade friction.

The telecommunications problem – in particular, an argument over mobile telephones – is the most threatening of a series of trade disputes that have convinced Japanese officials the Bush Administration is more partial to anti-Japanese trade sentiments in Congress than its predecessor. They expect that by the end of this week, Japan will be on list of countries to be pursued as "unfair traders" under the Super 301 clause.

These problems accompany embarrassing revelations about a lost H-bomb off Japan. The disclosures include evidence that the US brings nuclear weapons into the country illegally and routinely. There is also lingering resentment here over what is perceived here as a breach of trust the FSX fighter.

Foreign diplomats are curious to see how far the US can push Japan, before Japanese belligerence signals a fundamental change in the relationship.

US Department of Agriculture officials have just added to the list of alleged trade grievances by asking for a meeting early next month in Tokyo to discuss wood and paper imports. The department said high tariffs, overly restrictive building codes, and unfair classification systems hinder the sales of such products.

By that meeting, punitive tariffs of 100 per cent on Japanese goods as diverse as copiers and cosmetics - 54 products are on a hit-list - could already be in place – unless the Ministry of Posts and Telecommunications convinces the US that it has abided by 1985 agreements to open the Japanese market.

The ministry expects to meet senior representatives of Motorola this week but has made clear that it has nothing more to offer the US company, which wants Tokyo radio frequencies for a mobile-phone network.

"We have implemented the principles underlined in the agreements. We have kept our promises. We hope that the Japanese sincerity will be understood," a senior official at the ministry said.

Motorola equipment can be used outside greater Tokyo, but US officials apparently do not believe the ministry's argument that there is no room in the capital's radio frequencies for a second mobile-phone system.

NTT technology is used for the Tokyo system under an agreement to divide up the country, but the US wants the extra frequencies to allow "roaming" use of the Motorola equipment.

While the ministry says that decisions on equipment standards and procedures have been made more "transparent" to aid foreign companies, US officials argue that the decision process is murky and that Japanese companies are favoured routinely.

CHINA: THE PRESSURES FOR CHANGE

Uncertainty reigns on the brink of reform

Peter Ellingsen examines the chances of political and social re-alignment in China

FOR BOTH China watchers and the oligarchy still nominally in charge in Peking, the past few weeks have been composed of revolutionary stuff. Journalists across the media have been vocal in telling the party and Government that its news coverage is shoddy and should be overhauled.

The journalists are workers, not students, and they are telling the communist party – which killed demonstrators in 1976 and jailed protesters in 1979 – the old ways must change.

Is this China? Reading the press makes it hard to tell. It seems that a month of student unrest has swept the old restrictions aside and ushered in a brave new world of Chinese glasnost.

An independent press amounts to an opposition and that is the first step toward something approaching political pluralism – always unthinkable in revolutionary China.

Such is the force of the people power unleashed by striking students, however, that no one – least of all the authorities – seems sure what the political rules now are. By making conciliation a virtue, the party has begun to alter the political agenda in China permanently.

With journalists, intellectuals and teachers involved, and with residents and ordinary workers marching to express support for the students – at yesterday's rally to welcome the Soviet leader, Mr Mikhail Gorbachev, to Peking – watershed is not too strong a word.

Demonstrating students in Tiananmen Square yesterday

Chinese over 30, however, while often moved by the student rebellion, remain more cautious. For them, the Government's new, soft line looks and sounds like liberalism but suggests party propaganda.

It is also true that – with the exception of offering not to punish students who returned to class – the Government has not made any significant concessions as a result of the unrest.

It is still refusing to recognise the umbrella student union formed out of the boycott and insists its negotiations with party-affiliated campus groups is representative.

Peking is buzzing with the students' remarkable victory over authority. However, even on the day students forced an embarrassed party to abandon a ceremonial welcome for Mr Gorbachev, it is still not clear what has been achieved in practical terms.

The rallies in which more than 100,000 people ignored the law and called on the party to get its house in order, are certainly unprecedented and will form part of Chinese folklore. But will anything really change as a result of the the students courage?

The campus upheaval has unquestionably had a marked impact on China's leadership. It has given the party its biggest shake up since the Cultural Revolution.

By talking tough without acting so, Deng Xiaoping, the party leader, has lost prestige – economic and other woes have already sapped his popularity – and is increasingly being seen as yet another senile old soldier. In some ways this is sad, as it was 84 year-old Deng who lifted China out of its chaos and isolation a decade ago.

Li Peng, the prime minister, and other conservatives at the helm have also had to admit failure to control the unrest when it surfaced a month ago after the death of former party chief, Hu Yaobang.

The relatively liberal party boss, Zhao Ziyang – in Pyonyang at the time of the first protests – has gained in stature and recovered some of the prominence he lost last year when his rapid economic reforms went sour.

It is a measure of the rigidity of Chinese politics, however, that Zhao's future rests as much with Deng as on the success of his soft strategy with students.

Behind the Government's present policy of appeasement is a canny recognition that students have touched a nerve with their pleas for press freedom and real equality among cadres.

By not taking out the big stick – as Deng advocated three weeks ago – the party has won back some public sympathy but lost considerable face.

If the tactic works in coming weeks and the student movement loses momentum, Zhao's edging toward gradual political reform will be vindicated. It would be poetic justice if, after carrying the can for the inflation that his fast-track economic reforms produced, Zhao could ride back to influence on the pro-democracy wave.

After all, once Deng – his sponsor – opened the door to the west 10 years ago, people were *bound to become* more financially independent and less tied to the rigid party-linked work units and neighbourhood committees, which have determined individuals' prospects for so long.

Playing Peking's press game

Peggy Hollinger looks at the unwritten rules of journalism

ASK ANY Chinese journalist about "official tight control" of the press and most will say it does not exist – at least, officially.

Media law is non-existent in China. There is no protection against libel, no laws on what can and cannot be said, and no official censorship bureau.

"Theoretically, there is no censorship at all," says Mr Chen Li, editor-in-chief of China Daily, the country's only English-language newspaper.

So why are hundreds of thousands of students packing Tiananmen square, the centre of Chinese authority, to call for democratic freedoms, the first and foremost of which was freedom of the press; and why did the Propaganda Bureau sack the editor of the liberal Shanghai-based World Economic Herald after he published speeches by and about the late party leader, Hu Yaobang; and, finally, why did most newspapers ignore the demonstrations until the Government itself acknowledged the patriotism of those very same students who just a week earlier had been labelled a threat to social stability?

Like many things in China, the answer is complicated. What in the West would be termed censorship, in China becomes "social responsibility". "Most editors and journalists practise a sort of self-censorship," said a China Daily journalist. "Your papers are gloomy, full of sensationalism, crimes, etc. Here many believe to report such things would only increase them."

But what the young journalist did not say was that so-called "self-censorship" is also a tradition in China, where the business of journalism, flourishing though it is, has been long used as a tool of the Communist Party. Absence of legal powers does not necessarily mean the Party has no other way to enforce its line, and the journalists know this.

"If the Government is dissatisfied with the content of something which is about to be published, they must tell the editor not to print," said Mr Chen, and if something has already been printed then the Party must ensure it does not happen again.

The student demonstrations brought the Government and journalists into direct conflict as Peking let it be known that some things would be unwelcome in the press. The curbs were different this time, as they were applied to calls for an end to corruption and more democracy – demands which struck a chord with workers and intellectuals alike.

"It is an embarrassing situation," said Mr Chen about China Daily's early coverage of the demonstrations. "We did not practise good journalism. But it is also a delicate situation and we have many considerations."

For instance, he says, China Daily published a photograph of the some 200,000 students marching on Tiananmen Square only in its international editions. "I took it out of the *domestic editions for fear*," he said. "Fear because the Shanghai authorities were telling students not to demonstrate. If the students saw what was happening in Peking.....well, if violence had broken out I would not have been held responsible, but from the bottom of my heart I would have been deeply sorry if China Daily had done something to increase the tension. So I sacrifice good journalism for that."

Such an attitude, alien to Western readers who demand news of everything from Zircon to the bedfellows of Pamella Bordes, is a direct result of Chinese social history maintains Mr Chen.

"People are accustomed to hearing that the Government is always right. If they hear it is wrong they will want to get rid of it. If you take a historical point of view, people criticise Deng Xiaoping, but you cannot forget his general contribution. When reporting these demonstrations we must look at them from this point of view. The best thing is to reform Chinese society so people can accept different opinions."

"The old regime was thrown over by military force, but now people are trying to shift to an institutional democracy. This is a long process. Stirring up opposition among people will not help democratisation."

Mr Chen, himself a student activist in the demonstrations which helped to overthrow the Kuomintang regime in 1949, *did not publish reports in the* People's Daily that someone behind the scenes, said by the Government to be the astrophysicist and long-time dissident Fang Lizhi, was organising the students. "It is not the same as when I was a student. We wanted to overthrow the regime. These students are patriotic. Sometimes they are emotional, they say hard things. But we must accept the core of their ideas. This is the statesmanship that the Government should have."

"Many people in the Government are quite enlightened, but not all of them...Some people are not accustomed to democracy, they want to dictate what is right and wrong. So it is understandable to have clashes between the authorities and journalists."

While China struggles to beat an annual inflation rate of 27.4 per cent (1988) at the same time as it builds a market economy, such tensions are *inevitable*. But if Mr Chen's analysis is correct, then a press completely free of controls cannot exist.

And yet, journalism is a flourishing business in China. The number of new newspapers which appear on the newsstands defies reason, says Mr Peter Wood, economic consultant for the British embassy in Peking. "There seems to be no economic rationale behind them. Most are loss-making."

But the function of a newspaper in China is completely different from that in the West. "It is to report and expose, but also to educate the masses on the Government's view; and the letters sent to newspapers are a source of information on what the people are thinking. The papers publish them and then pass them on to the relevant authorities."

It is not hard to understand the insecurity of a government just 40 years old, which must deal with corruption, abuses of power, and drag a country of 1.1bn people into the 20th century. Peking has achieved a faster and more widespread growth in 40 years than has any western country. It now faces the dilemma of how to maintain that growth with public support while opening up the arena of public debate.

UK NEWS

Spending squeeze will hit profits, say stores groups

By Christopher Parkes, Consumer Industries Editor

JOHN LEWIS and Bentall's, two of Britain's department store groups, have warned that they expect the spending squeeze to hit profits this year. Kingfisher, formerly Woolworth Holdings, is also expecting a difficult time.

"I shall be surprised if 1989 is not one of those years when the profit dips," Mr Peter Lewis, chairman of the John Lewis Partnership wrote in the company's annual report, just published.

Mr Edward Bentall, chairman of Bentalls, a small south-east based retail group, said in his annual review: "If interest rates remain at their present level it is unlikely to be a buoyant year for retail profits."

The tough climate was expected to continue, with further cost pressures to come, Mr Geoffrey Mulcahy, chairman of Kingfisher, said yesterday, on the release of the group's annual report.

Kingfisher, which inclndes the B&Q home and garden hardware chain, Comet electrical outlets and the Woolworth chain of variety stores, had detected that customers were becoming "ever more demanding and value-oriented," Mr Mulcahy added.

Profits of John Lewis and Bentalls have risen consistently for the past five years.

Mr Lewis noted that last year expenses rose faster than sales for the first time in several years, "heralding the end of a conspicuously prosperous period for the retail trade."

Last year prices in the partnership's ehops, including food, rose by about 4.5 per cent, compared with the official retail prices index of 7.5 per cent, while national wage rates rose by about 8 per cent.

John Lewis's sales for the first 10 weeks of this year were about 9 per cent up on the comparable period last year.

Announcing an 8.5 per cent rise in pre-tax profits on turnover up 10 per cent for 1988, Mr Lewis said earlier this year: "We can all recognise the warning signal of a profit increase lower than a sales increase."

Bentall's said it had put tight curbs on expenses, and planned to contain them at less than the rate of inflation.

Sinn Fein office hit in gun attack

By our Belfast Correspondent

ELECTION WORKERS escaped injury in a gun and rocket attack on an office of Sinn Fein, the political wing of the Irish Republican Army, in west Belfast, Northern Ireland, yesterday.

A rocket was fired through the window as election staff prepared plans for the local government election which takes place in Northern Ireland tomorrow.

The building was also sprayed with gunfire and several people were treated for shock.

Mr Danny Morrison, Sinn Fein's director of publicity, said "pro-British agents" had attempted to kill Republicans and voters, but he said the party would continue to carry out its work on behalf of the nationalist community.

There was speculation that the attack represented the first occasion that Loyalists had used a rocket in a terrorist attack in Northern Ireland.

Earlier, a Roman Catholic workman was shot dead as he arrived for work at a building site on the outskirts of Belfast.

Japanese to launch white goods in UK

By Our Consumer Industries Editor

THE long-expected Japanese entry into on the UK kitchen appliance market starts next month with the launch of a range of home laundry machines, freezers and refrigerators under the Hitachi brand.

Washing machines and dryers made by Servis, one of the few remaining independent UK manufacturers, and refrigeration equipment from Vestfrost of Denmark, will go on sale in a limited part of sonth east England.

The group was also considering similar moves elsewhere in Continental Europe, said Mr Norman Becker, Hitachi's appliance division manager.

After-sales maintenance and repairs will be handled by Servis's Homecare network, one of the largest in the country.

The range is aimed at the higher quality end of the market, at present dominated by West German brands. Prices of the washing machines, for example, range between £400 and £500, and refrigerators and freezers will cost between £270 and £430.

"We are not here to upset the apple cart," Mr Norman Becker, Hitachi's appliance division manager, said yesterday. The company aimed to grow steadily in a controlled manner, selling on Hitachi's reputation.

The group had no immediate plans to manufacture large appliances, although it already makes TV sets, video recorders, audio equipment and microwave ovens in the UK.

Other Japanese manufacturers, inclnding Matsushita, which have substantial appliance businesses in the Far East, are known to be interested in entering European markets. But none has so far ventured beyond existing interests in microwave ovens.

Conditions are not ideal: most markets are saturated, and competition from European manufacturers is strong. In Britain, where about 40 brands are offered, prices have not increased in real terms for several years, and sales are currently depressed by the consumer spending freeze.

Japanese attempts to break into the US business have had limited success, although they dominate the microwave oven and home electronics markets.

Green code call to Strasbourg candidates

By John Hunt, Environment Correspondent

A "GREEN manifesto" calling for stricter measures to protect the environment has been drawn up by four leading environmental organisations and will be put to UK candidates in the elections to the European Parliament next month.

It calls for a doubling in the mileage efficiency of cars and funding for research to reduce air pollution and tackle the problem of global warming – the so-called greenhouse effect.

It also seeks a cut of 20 per cent by the year 2,000 in the carbon dioxide emissions from fossil fuels which contribute to the greenhouse effect.

Over 50 public meetings have been organised for the next five weeks involving Euro-candidates from all parties. The intention is to secure their commitment to the proposals in the document drawn up by Friends of the Earth, The Green Alliance, World Wide Fund for Nature and the Council for the Protection of Rural England.

"We intend making these European elections the greenest yet," said Mr Charles Secrett, campaigns co-ordinator for FOE.

The proposals in the document "Blueprint for a Green Europe" also include an EC commitment to a minimum 2 per cent increase in energy efficiency each year and legislation on recycling of packaging materials.

A report from the environmental organisation Greenpeace yesterday called on the UK Government to stop all dumping of sewage sludge at sea.

Mr John Langston, secretary general of the National Society for Clean Air and Environmental Protection, also called on the Government to impose tough new controls on car exhaust emissions and adopt the three-way catalytic converter for vehicles in the UK to reduce air pollution.

He pointed out that proposed EC legislation will set tighter limits on vehicle emissions in line with those in force in Japan, Australia and the US.

UK NEWS

Stoppage fails to bring chaos

London survives road and rail transport strike

By Michael Smith, Labour Staff

CENTRAL LONDON emerged relatively unscathed yesterday in spite of suffering its worst disruption to public transport for years through 24-hour strikes by bus and underground crews and an overtime ban by British Rail workers.

Employers said that although many staff turned up late, only about 10 per cent failed to appear at all. Traffic moved slower than usual but there were no reports of the long-term standstills that had been feared.

The Department of Employment said yesterday that ministers were considering ways of curbing unofficial action of the type which has caused the underground disruption. This would probably involve making groups of workers who organise such action liable for damages to businesses.

Such a move would be a new departure for government efforts to curb industrial action. Up to now the law has relied on removing some legal immunities from unions organising industrial action without first balloting members.

Any proposals would probably be inserted in the forthcoming Green Paper (discussion document) on industrial relations but there would be considerable legal difficulties in defining the organisation of unofficial action clearly enough.

Yesterday's action by bus crews caused cancellation of all services in central London other than those provided by nine medium size "midibuses" in the Kensington, Regent Street and Camden areas. About 150 outer London routes, which are operated under contract for London Regional Transport, were serviced normally.

On the underground, there were only 11 trains out of a potential 476 in operation. Nearly all of these were on the Northern and Victorian lines.

Central London transport services were expected to return to normal this morning. However, the British Rail overtime ban, which yesterday caused cancellations on 16 per cent of peak hour services, will continue.

The bus crews, who have rejected a 7.1 per cent pay offer, plan to repeat their action fortnightly. It is believed that London Underground drivers, who are claiming an additional £64 a week for operating driver-only trains, are also planning further strikes. Yesterday was their third 24-hour stoppage.

Worse could be on the way as the National Union of Railwaymen plans to re-ballot its 10,000 underground members for an all-out strike in opposition to the "action stations" plan for changes to working practices.

Both the NUR and drivers' union Aslef are to ballot their BR members next month for strike action over pay.

Government 'failed' on transport strategy

By Rachel Johnson

THE Government has failed to propose an overall strategy for London's transport problems, the Royal Town Planning Institute said yesterday.

The Transport Department's "piecemeal approach" to the problem of congestion was a "major cause for concern," it said.

The institute pointed to the proliferation of studies sponsored by the department and warned there was likely to be "significant areas of conflict between the options generated by these studies."

This piecemeal approach would be uneconomical as well as confusing, said Mr Robin Thompson, vice-president of the RTPI.

The institute, however, welcomed the initiatives for new rail lines across London proposed in the Central London Rail Study, published in January.

Of these, Mr Paul Channon, the Transport Secretary, is known to favour building the East-West "Crossrail" line, costing £870m. This may also include building an underground line from Chelsea, in the west of London to Hackney, in the north east, costing an extra £1bn.

The East-West line would run in tunnels from Liverpool Street station to Paddington and Marylebone stations in the west and the Metropolitan underground line.

The construction of the Chelsea-Hackney line is in doubt because it would need some 80 new trains and a fully equipped main depot.

The crossrail lines allow use of the existing British Rail trains and will therefore cut down on rolling stock costs.

The institute disagreed with Mr Channon, that passengers should pay a major share of infrastructure costs of the crossrail line.

"The Government should support the well-being of the capital by making a major contribution to capital costs of new public transport projects," said Mr Thompson.

A Private Bill, sponsored by an individual MP, for the line is likely to be put before Parliament by British Rail and London Regional Transport, which manages the capital's underground and bus systems, in November.

Bus crews call a halt over stress, hours, pay

By Fiona Thompson

FRIENDSHIPS have to be formed quickly at Victoria Bus Garage in central London. There's not much choice when 65 per cent of the staff have less than a year's service.

"In the last six months, 30 out of 50 conductors have come and gone," says Mr Ron Francis, aged 51, standing in the sun yesterday with five fellow pickets and a policeman.

Bus workers throughout the capital yesterday held the first of their threatened fortnightly 24-hour strikes.

The issue on the ballot paper was pay, but the six men in front of Victoria Garage stressed that the management's 7.1 per cent pay offer was just one reason why the crews were taking action.

"It's not just pay. Our working conditions over the past three years have deteriorated badly," says Mr Ian Kier, aged 48, a driver-operator on a basic £220 a week who has worked for London Buses for eight years.

"We've had 4 to 4½ per cent increases for the last two years but they haven't been cost of living rises; they were for productivity gains.

"Take overtime, for example. It used to be that any hours you worked over your rostered hours were paid as overtime. Now that's not necessarily the case. As a result, pay slips are the same as they were two years ago."

"And the schedules have got worse," says Mr Charlie Walsh, who is 40, a conductor for 12 years, on £183 basic. "The 5am shift used to finish at 12.30, now it's 2pm. On average, people are working an hour longer a day."

"And the job has become more stressfull, with more traffic and more people. It's rush-hour all day long in central London now."

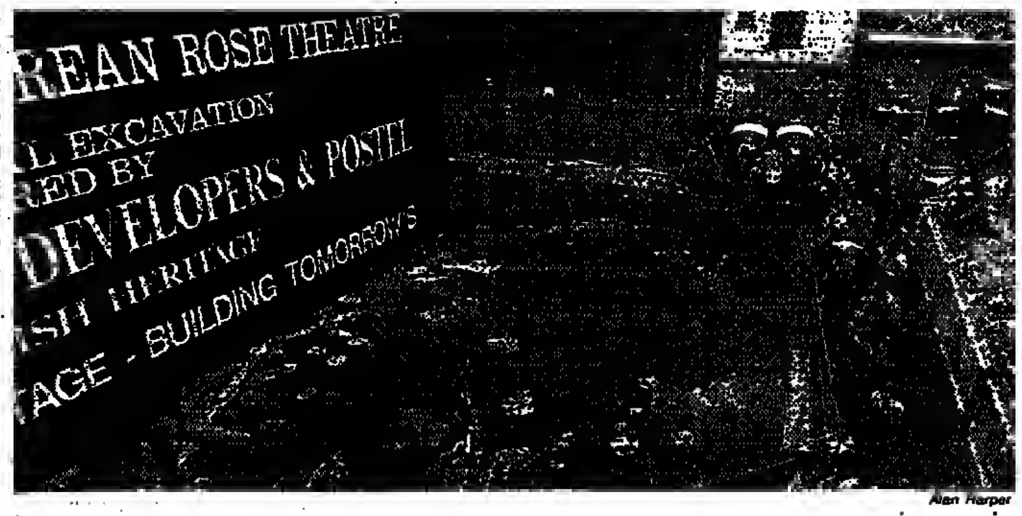
"It is not surprising that the sickness rate has gone up," says Mr Kier. "But now if you are sick for more than eight days a year, the computer clicks your name up and the disciplinary procedure starts."

Two hundred bus staff work out of Victoria garage, operating 88 buses day and night on six routes. One of the reasons staff turnover is so high is because staff find it impossible to find affordable accommodation within a reasonable travelling distance.

"At one point last year 15 per cent of the workforce came from the north and Wales, and lived in bedsits during the week," says Mr Kier.

As the staff see it, money and resources were put into London Buses when the now-defunct Greater London Council controlled the system. "Now," says Mr Walsh, "it is geared more and more to making money and is less and less a public service."

The 7 per cent pay offer is viewed as unacceptable. "It will not keep pace with the cost of living," says Mr Bird. "Even prices in our canteen have risen 11 per cent this year."



Alan Harper

The blight of the Rose

Paul Cheeseright looks behind the scenes

THERE are 12,000 scheduled ancient monuments in England. The difficulty for the Rose Theatre, by Southwark Bridge in London, is that it is not classified as anything at all. Had it been, then the legal position in terms of its conservation would have been clear.

The means for protecting buildings and monuments of historical interest are set out in the 1971 Town and Country Planning Act and its subsequent amendments. The three aims of this act and its precursor of 1947 were to establish a pattern of land use, give local authorities the power to protect historic buildings and encourage them to promote development.

If an ancient monument is "scheduled" or a building is "listed" then the freedom for anybody to come along, cover it up or knock it down is restricted.

What happens is that English Heritage, the state agency responsible for looking after the buildings and monuments, recommends to the Environment Department that this or that structure should be scheduled or listed.

The actual fact of listing, an administrative action, can immediately change the value of a building. If a developer enquires whether a building will be listed and receives a certificate to the effect that it will not be, that intention holds for five years.

But the English Heritage recommendations are not always accepted. English Heritage could not persnade the Government to list as many post-World War II buildings as it wanted.

The Rose Theatre is not scheduled for the very simple reason that until recently neither the archaeologists nor Imry Merchant Developers, owners of the site, knew it was there. By contrast, on the other side of the River Thames, at a site owned by Hammerson, the existence of Roman baths at Huggin Hill has been long known and indeed the baths are a scheduled monument.

If a property development company wants to undertake a project affecting a scheduled monument then it has to obtain the consent of English Heritage.

Frequently, written into the planning permission is a clause which gives the archaeologists a specified time to work over the site. Usually this archaeological work is paid for by the property company: £200,000 in the case of Imry. Indeed, last year property companies put £14m into archaeological work, compared with an English Heritage's budget of £7m.

But the tricky side of all this comes when the archaeologists find something that they had not expected. Imry has a local authority planning consent, given and received in good faith. "We can't turn the screw in a legal way", said English Heritage. The same is true in the case of Hammerson.

It is in the power of the local authority, with the conseot of the Environment Secretary, to revoke or modify a planning consent. But if this is done, then there is provision for compensation to the developer for any loss or damage directly attributable to that revocation or modification. The costs would not necessarily be huge. The main element would be the value of the site.

UK NEWS

Japanese buy minority stake in Welsh group

By Anthony Moreton, Welsh Correspondent

JAPANESE involvement in British industry took a new turn yesterday when C Itoh, the country's leading trading house, acquired a 20 per cent stake in the privately owned Welsh electronics concern Race Group.

It is believed to be the first time a Japanese company has taken a minority equity holding in a Britisb concern.

"There have been some portfolio investments," Mr Andrew Lawson, of the Confederation of British Industry, said yesterday, "bnt I believe this is the first investment undertaken for strategic trading reasons."

The Race-Itoh deal was signed in London after several months of negotiations hut neither Itoh nor Mr Alfred Gooding, who controls Race, would comment on the price.

All Mr Gooding would say was that the figure was "substantial." Mr Gooding's family concern, Gooding Investments, owns 70 per cent of Race and Citicorp Venture Capital the remainder. Under the terms of yesterday's deal the Gooding holding will be diluted to 56 per cent and Citicorp's share to 24 per cent.

The deal will strengthen Race's links with Japanese companies anxious to get a footing in Europe before the integrated market of 1992.

Itoh has already introduced Race to one company and Mr Gooding expects to announce next month that production by a joint venture between them will begin in South Wales by the start of 1990.

A second agreement with a leading Japanese concern is at an advanced stage. Japanese involvement in Britain has traditionally been through direct investment, such as the Toyota car plant announced last month for Derbyshire. Some


Gooding: expansionary step

years ago Sumitomo Ruhber bought Dunlop, but that was a takeover of a complete concern in trouble.

There have also been links in the financial sector, Mr Lawson said, such as that between Mitsui and Hambros which the Japanese company eventually converted into a controlling holding.

"In these cases," he added, "the Japanese have been acquiring knowledge of market conditions before taking control. The new deal is the first to my knowledge of a strategic investment."

Race is a leading British sub-contractor of printed circuit boards to the telecommunications, motor, data processing, home electronics and office automation industries. Mr Gooding hopes to bring the company to the market next year or in 1991.

"The date depends on market conditions at the time," he said yesterday.

For Mr Gooding, the decision by C. Itoh to take a stake in his privately owned Race Group is just another step along the road to building the company into a leading international electronics group.

Four years ago Race was all but on its knees, losing £500,000 on a turnover of £3m. It had been seriously set back by the collapse in the home computer market, which did terrible things to Acorn, its largest customer. Some sub-contractors lost a lot of money in the debacle, but by quick footwork Mr Gooding managed to extricate Race without too mucb financial damage.

To save the day every conceivable economy was made. But Mr Gooding's insistence on tight financial controls, aggressive marketing carried the company to a remarkably quick recovery.

The workforce is now up to 1,300 in South Wales and profit this year is expected to be between £4.5m and £5m on a turnover of between £70m and £80m.

Selected reductions offered to protect domestic market

British Coal offers price cuts

By Maurice Samuelson

BRITISH COAL is offering to slash the prices of 20 per cent of its sales to power stations to protect a large section of its market from imports and fend off another heavy round of colliery closures.

The cuts would apply to a special tranche of coal earmarked to generate power for large industrial users of electricity. The terms would resemble those available for consumers of large quantities of gas.

The offer was revealed in London yesterday by Mr Michael Gibbons, chief fuel purchaser of Industrial Chemical Industries, Britain's biggest chemicals company, who said that it should be adopted to help keep UK manufacturing industry competitive with its European rivals.

The threat to coal sales from the forthcoming privatisation of tbe electricity industry sparked beated exchanges in Parliament.

Mr Tony Blair, the opposition Labour Party's energy spokesman, accused the Government of ignoring the cheap fuel offer because of a "policy decision" to scrap 15 per cent of the coal industry, with the loss of 15,000 mining jobs, mainly in the Midlands.

Mr Michael Spicer, Energy Under Secretary, rejected the charge and said Mr Blair was being used as a "pawn" in talks still in progress.

Uncertainty about the future of the coal industry has also heen intensified hy the short-term nature of the contracts for electricity supply being discussed by generators and distributors of electricity.

Both sides of the industry had reached an advanced stage in working out a series of bulk electricity contracts ranging from five to 15 years, which would have also set the pattern for negotiations on power station coal supplies.

But Lord Young, Trade and Industry Secretary, said that snch long contracts wonld have stunted the growth of competition and, as a result, contracts of three to five years are now under negotiation. This is despite protests from other Departments that this could lower the price of the two big generating companies when they are sold off.

The cheap coal scheme is aimed at large-scale electricity users, which account for 20 – 30 per cent of national power consumption. It would be an expanded version of the arrangement in existence between 1986 and 1988 under which about 5m tonnes of coal were earmarked, at a discounted price, for electricity supplied to some 70 large industrial sites.

The Government says that kind of scheme is now redundant because electricity customers will benefit instead from the greater competition to be introduced into the privatised electricity industry.

The generating companies would be ahle, for the first time, to contract directly with customers who previously have bought power through the area distribntion boards.

Labour to forge link with German SPD

By David Goodhart in Bonn

THE Labour Party is close to announcing an important co-operation agreement with the West German Social Democratic Party (SPD) which its leaders hope will give further impetus to its attempts to become a modern, reforming pro-European party.

Under the agreement, initiated by the Labour Party, working groups will be set up covering specific topics and the two party leaders will hold regular summit meetings.

According to Mr Eddie Heussen, SPD spokesman, Mr Hans-Jochen Vogel, the SPD leader, will visit Mr Neil Kinnock, the Labour leader, in September in the first of these meetings.

The projected link is modelled on the relationship between the SPD and the French Socialist Party which have regular formal contacts. The four areas on which joint SPD-Labour discussions will concentrate include: regional policy, economic development and the environment, new technology and trade unions, and defence and foreign policy.

In the regional policy field senior Labour figures, led by Mr John Smith, the shadow Chancellor, believe Labour has much to learn from the West German model of political decentralisation. There is also growing interest in Scotland and the north of England in the German Länder (states) system.

The working group on industrial relations is likely to be influenced by a parallel closeness being established between some British and German unions. The Amalgamated Engineering Union has recently started much closer co-operation with Europe's largest union IG Metall.

On defence closer collaboration between Labour and the SPD could help to resolve some of Labour's nuclear dilemmas with voices in both parties supporting the creation of a European deterrent.

Labour officials admit that they have more to learn from the SPD than vice-versa but the SPD is always keen to improve its international relationships. The Labour image will also benefit more from the association especially if the SPD becomes the main governing party in Germany next year.

Microwave TV runs into UK frequency problems

By Raymond Snoddy

THE GOVERNMENT is facing increasingly difficult technical choices on how to introduce local microwave television into the UK.

The Government yesterday published a discussion document setting out the technical options for the frequency bands that could be used for Microwave Video Distribution Systems.

It is clear that difficult decisions have to be taken whatever options are finally chosen for the Government's stated aims to have "technologically neutral" local television franchises using cable television, MVDS, or a mixture of both.

The 2.5GHz band has already been ruled out because of the pressure of other users on that frequency and the 27-29GHz band because it does not look as attractive as 40GHz.

In Brief

Poll tax leaflet 'full of omissions'

A leaflet to be delivered to 21m households in England in the Government's £1m campaign to explain the poll tax is "littered with half truths" and "pitted with omissions of fact," it was claimed in the High Court yesterday.

In particular, the leaflet amounted to "misrepresentation by omission" because it did not make clear that couples could be made liable to pay each other's poll tax, said Mr Stephen Sedley, barrister.

He was opening a judicial review in which the London Borough of Greenwich is trying to stop the Environment Department distributing the leaflet, The Community Charge [the so-called poll tax]: How it Will Work For You.

Tesco to expand

Food retailer Tesco unveiled a £1bn investment plan to add 60 stores, mostly of more than 25,000 sq ft, to its existing chain of 380 in the next three years.

Distillers invests

United Distillers, the spirits subsidiary of Guinness, is to invest £15m in its grain distillery at Cameronbridge as part of a £100m investment programme for the company's Scottish operations over the next three years.

Takeover tax move

Customs & Excise department is thought to be about to allow companies in takeovers to recover value added tax on fees relating to their acquisitions, a move likely to save millions of pounds for acquisitive groups.

Liquidation called

Securities and Investments Board, central financial services watchdog, has petitioned under the Financial Services Act for the compulsory liquidation of Mildminster, a City of London investment firm which ceased trading in March.

Contact lens warning

Workers at GEC have been warned not to wear contact lens while doing electrical work or welding, after two accidents which partially blinded two workers.

Greek life sales

Scottish Provident and Commercial Union will start selling life assurance in Athens and Thessaloniki later this year after receiving licences from the Greek Government last week.

EETPU vote

The electricians' union EETPU voted yesterday to stay out of the TUC.

MANAGEMENT: The Growing Business

Insolvency in the UK

Directors confront a greater dilemma

Charles Batchelor examines the anxieties created by legislation

Life has become much tougher for company directors over the past three years. New insolvency legislation and tighter *rules governing the conduct of* directors are changing the way the honest director – as much as the crook – goes about his job.

Increasing numbers of directors are being disqualified as the new legislation begins to bite and a growing file of court rulings is clarifying just how the law will work in practice. Nine directors were disqualified in the first year in which the new legislation was in force, rising to 127 in the second year and 252 in 1988/89.

"Hardly a week has gone by in the past two years without someone coming in to ask whether they have been trading wrongfully," says Stephen Adamson, head of the London insolvency department of accountants Arthur Young.

What the Insolvency Act and the Company Directors Disqualification Act of 1986 have done is to make it far easier to hold directors responsible for their actions and to make them pay either for their mistakes or their misdemeanours. "There is no such thing as limited liability for these people now," says one insolvency specialist.

The new laws have also broadened the definition of "director" so that non-executive directors and, in some instances, the accountants, lawyers and bankers who advise directors may be held responsible for what has gone wrong.

Equally important, a special Disqualifications Unit has been set up in the Department of Trade and Industry, to pursue the wrong-doers and build up a complete record of directors involved in company failures.

Unfortunately, in the view of many people, life has also become more difficult for the honest director whose company gets into trouble. It can be difficult for a director to decide, in the thick of running a business, at which point his actions – or inaction – bring him into conflict with the law.

While the new legislation is not aimed at companies of any particular size it is the director of the smaller business who is more likely to be affected. By their very nature, smaller companies have a higher failure rate than larger, more established, businesses and they also lack the financial and management resources.

"The character running the small business doesn't have time to read everything that is put in front of him," says Michael Denison, senior manager in the insolvency practice of accountants Cork Gully. "He is too busy getting out the orders and paying the wages."

The smaller company is also more likely to use a small local accountancy firm to carry out the audit and prepare its accounts. These firms, in the view of the larger accountancy practices, frequently lack the specialised knowledge of insolvency law to be able to advise their clients.

A major innovation of the new legislation was the creation of the offence of "wrongful trading". A director is liable for wrongful trading if, at some time before his company goes into insolvent liquidation, he knows or ought to have concluded that there was no reasonable prospect of avoiding liquidation.

Only if the director can show that from that moment he took every step to minimise the potential loss to the company's creditors will he not be held liable.

Under the previous law, directors could only he held liable for fraudulent trading. This turned out to be an ineffective sanction because a liquidator had to prove the directors intended to defraud the creditors. Directors were frequently able to argue that they believed, however unreasonably, that they could turn the business round.

"It was very difficult for the liquidator to prove, a couple of years after the event, that there was any intent to defraud," says Adamson. "A director could justify carrying on at a loss or taking out further credit because he thought he could see light at the end of the tunnel."

The new laws also give a guide to the areas which will be taken into account when assessing a director's behaviour. The court will consider whether company funds have been misappropriated and the proper records kept. It will also look to see if the company has supplied goods and services for which payment has been made and whether particular creditors have been given preferential treatment.

The net has also been widened to take in people who effectively act as a director even if they do not appear on the company's books as such. This takes in both the fraudster who deliberately manipulates the official directors and possibly even the bank manager who sits down with his client every Friday to determine which of his bills should be paid first.

Directors who fall foul of the new legislation may be barred from holding office or from taking part in the management of a company for between two and 15 years. They may also be made personally liable for a company's debts if trading has continued beyond the point where it became clear there was no prospect of escaping insolvency.

The first court ruling that directors should make a repayment to creditors came in March, when two directors of Produce Marketing Consortium, a failed fruit importer, were ordered to pay the liquidator £75,000. The judge ruled there had been no deliberate wrong-doing but untrue statements were made to creditors and a warning from the company's auditor had been ignored.

The fear of the National Federation of Self Employed & Small Businesses is that it is not always obvious when a company reaches the point of no return. The removal of the need to prove intent has, ironically, made life more difficult for the honest director.

"It is arbitrary when you reach the stage of wrongful trading," says Stephen Alambritis, spokesman for the federation. "You might expect a payment in a week's time but then it doesn't come through."

"The situation is still unsatisfactory because wrongful trading does not include the idea of recklessness or wilfulness," comments Andrew Hutchinson, principal research executive at the Institute of Directors. "It is simply a test of imputed knowledge. What somebody should know is a fairly slippery concept. Directors are having to work with something where there is inevitably an area of doubt."

But Grahame Harp, an accountant and head of the 50-strong Disqualification Unit set up to enforce the new legislation, plays down these suggestions of arbitrariness.

"We look for something fairly wilful before we seek disqualification and even then we still have to convince the court. The odds of anyone being disqualified are pretty remote unless he has gone over the boundary of reasonable failure.

"The courts have said it is wrong to bring disqualification proceedings with the benefit of hindsight," he says. "You must go back into the mind of the people at the time. You must show, for example, that at a board meeting to consider losses, the directors must have realised they were at a point where they should take advice or that it was too late."

The 388 directors who have been disqualified since the new legislation took effect in April 1986 have included a number who have continued trading "beyond a reasonable point," says Harp. But they have also included directors who have paid themselves too well when their company was in trouble; who have repaid selected creditors at the expense of others; and who have switched assets between one company and another.

What should honest directors do to avoid problems with the new laws? "It is easy to say, but you must have good management information," advises Denison.

Call on outside professional help if you think matters are getting out of control, says Alan Bloom, a partner in Arthur Young. "I don't think directors can ever make the judgment themselves about whether they have overstepped the line. It takes a view from outside, from a firm's auditors or lawyers."

Of course, not all of a company's directors will necessarily agree that the point of no return has been reached. Directors who have personally guaranteed a bank loan may be very reluctant to call a halt.

"A sole director cannot wind up the company on his own but he should make it clear and have minuted what he thinks the situation of the company is," says Denison. "Only then should he resign. If a director merely says 'Good God, the company is broke' and disappears into the sunset, a court would probably decide he had not taken all reasonable steps to minimise the loss." With more than 200 cases currently before the courts most observers are agreed that, for the next few years at least, the number of directors being disqualified each year is set to rise further.

Growing – little by little

By Charles Batchelor

Many of Britain's most profitable growing companies are wary of very fast rates of growth and would prefer to expand more slowly, according to a survey* carried out for accountants Coopers & Lybrand.

Rapid growth is difficult to manage while steady organic growth allows the owner-managers to retain control, according to many of the successful businesspeople polled. Twenty key executives were interviewed in depth while a further 100 were surveyed by telephone.

Sixty per cent of those surveyed said they expected that growth would be slow and steady over the next two years while 30 per cent said they wanted to expand rapidly. For inclusion in the survey companies had to he independent, privately-owned and have achieved 100 per cent growth in pre-tax profits over the previous two years.

Many of the businessmen had large equity stakes in their companies and were content to remain private. Those who had considered a public listing were well aware of the extra demands this would make on them and of the possible change in the firm's character which would result.

The survey identified the six most common factors of success. They were:

● An experienced managing director/founder with a good knowledge of his markets and of his industry.

● Close contact with customers and a commitment to quality in both product and service. Higher profit margins were achieved by concentrating on competing on service rather than on price or the uniqueness of the product.

● Attention to good employee relations frequently backed up with bonus or incentive schemes.

● Innovativeness and flexibility in the fields of marketing, technology and product.

● A focus on profits rather than sales. Good management systems were essential to keep down costs.

● Operating in markets that were growing, though companies could help themselves by watching for growth opportunities. Timing and luck also played a role.

The three main problems facing the businessmen polled were a shortage of skilled workers, rising interest rates and the strength of competition.

The fast-growth companies fall into three categories: younger companies which had grown from small to medium-size; older established companies which had gone from stagnation or decline with the arrival of new leadership; and older companies with well-established management practices which were exploiting new opportunities or benefiting from past investments.

**Private Growth Companies. A Review of Factors for Successful Profit Growth. Research by four postgraduate students at London Business School.*

In brief...

■ Rohin Maxwell-Hyslop, Conservative MP for Tiverton, Devon, has been named Politician of the Year in a small business awards scheme, the Guildhall Helping Hand Awards, organised by the National Federation of Self Employed & Small Businesses and Tollit & Harvey, for voicing the concerns of small businesses over tax and rates reform.

Winner of the special award for services to small husinesses went to Ernest Hall, founder of Dean Clough Industrial Park, a former Halifax textile mill which now provides a home to many small firms.

■ Small hnsiness training courses by satellite will soon be available thronghout Britain. Starnet Project is a £450,000 pilot scheme funded by the Training Agency which will deliver courses from the Polytechnic Sonth West in Plymouth to trainees throughout the country.

Participants will be able to take part in live, inter-active courses sent by means of the European Space Agency's Olympus satellite, dne for launch on June 22, to small diameter satellite receivers at their homes or places of work. The first two courses will cover husiness skills for small and medium-sized firms and information technology for engineers.

The aim of the satellite transmission is to make specialised courses available to trainees throughout the country and even across Europe.

Contact Paul White, Polytechnic South West. Tel 0752 233982.

■ A two-day conference on the New European Opportunities open to the venture capital community will be held in London on May 25-26.

Speakers will consider subjects including the implications of 1992, cross-border activities, international syndication and tax efficient fund structures.

Contact Business Research International. Tel 01-637 4383. Cost £475 plus VAT.

■ A new manual payroll and electronic transfer system for the small and medium-sized bnsiness has been developed by Allied Irish Bank and Kalamazoo, a business systems supplier. Paymaster reduces payroll records to three sheets of paper and transfers money electronically to employees' hank or building society accounts.

■ Businessmen seeking commercial links with companies in Spain may find useful a directory of businesses in the province of Valencia. The directory, in Spanish, English and French, describes company activities, location and possible areas for commercial or technological co-operation.

The Directory of Innovating Companies of Valencia is available from IMPIVA, Pl. del Ayuntamiento 6, E-46002 Valencia, Spain. Tel (34-6) 351 01 00. Price $83.

■ A two-day conference entitled Enterprise, Innovation and 1992: Innovation Support Services in Europe, is to be held in Nice, France, on October 26-27.

The conference is organised by TII, a European professional association of more than 300 innovation support organisations. The organisers have issued a call for papers to be presented at the conference on subjects including generating innovation, strategic consultancy, implementing technology and the modernisation of traditional industries.

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CORPORATE ENTERTAINMENT

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TECHNOLOGY

Jason goes in search of a golden piece of live TV

Rachel Johnson describes the remote sub-sea filming of the excavation of a Roman ship

The unmanned robot which discovered the wreck of the Titanic in 1986 has come of age. What was then Jason Jr, a prototype remotely operated vehicle capable of transmitting sound and images, has become simply Jason. It underwent initiation last week in the depths of the Mediterranean and transmitted the first live broadcasts, in colour, from an ocean floor.

The updated Jason is the creation of two US organisations, the privately-funded Deep Submergence Laboratory at the Woods Hole Oceanographic Institution, in Massachusetts, and Electronic Data Systems in Dallas, Texas.

They have been working on Jason for seven years; the main aims are to enhance the quality of the filmed images of the discoveries deep below the ocean's surface and to improve the computerised control of the robot.

Jason, named after the mythical Greek explorer and leader of the Argonauts, is 7 ft long, 3.5 ft wide and 3.5 ft tall. It weighs 2,400 lbs and can work in depths of up to 20,000 ft – way beyond the range of deep-sea divers.

When Jason sank into the Mediterranean last week, it went down almost without trace. The vehicle is connected to the surface vessel by optical fibre cable, which is also the medium for transmitting video signals and computer commands.

As Jason descended to explore for the first time, the cable snapped. The surface vessel had to retrieve the vehicle using a sonar scanner and a remotely controlled claw.

But this initial disaster only scuppered the project for a few days. Jason then sank as planned, one mile deep into the Mediterranean, to explore the deepest shipwreck to be found in this sea.

Archaeologists examining the images transmitted from Jason's three high-resolution colour television cameras believed that the vessel was probably a merchant ship, which had sunk on the busy trade route from Carthage to Rome in about the first century BC.

Robert Ballard, director of the Jason project, is hopeful that Jason will be able to retrieve various artefacts from the sea bed below the old trade routes because the rate of sedimentation in the deepest parts of the sea is very slow – about 1 cm every 1,000 years. Part of Jason's job is to use its propellers to blow the sediment off the wreck and its artefacts.

Just above the sea bed, the robot is tetbered to a video suhmarine, predictably called the Argo, by a 500 ft buoyant cable. During launch and recovery, Jason nestles close to the Argo, but when the right depth is reached, the pilot, working in a control room aboard the surface vessel, sends computer commands to release Jason.

He manoeuvres Jason using various sensor and camera systems. Meanwhile, the videos on Argo film Jason as it moves at speeds of up to 1 mph across the sea bed.

Jason is powered by seven propellers, and the vehicle is steadied under water by heavy foam pads.

It has claws and hooks for retrieving objects from the sea bed; and its cameras, which can pan and tilt to film the darkest crannies of the ocean floor, are helped by high-intensity lights.

The live footage of the sea bed, littered witb artefacts from the ship, such as amphorae and cooking ntensils, brilliantly floodlit by Jason's 2,000-watt lights, is sent back to the surface via the optical fibre cable. Then staff on board the surface vessel quickly process the live material into a television programme.

The transmission of these programmes from the ship to the US is controlled by Electronics Data Systems staff in Dallas. The material is encrypted and then transmitted via an international satellite 22,300 miles above the Atlantic Ocean.

Full colour broadcasts are relayed to a network of museums and other institutions in the US. The Bush Administration has been watching the broadcasts; Dan Quayla, the US Vice President, watched one live transmission in a museum video room with some of the 200,000 American school children who were seeing history in the making. The Jason team calls it a "global communications project."

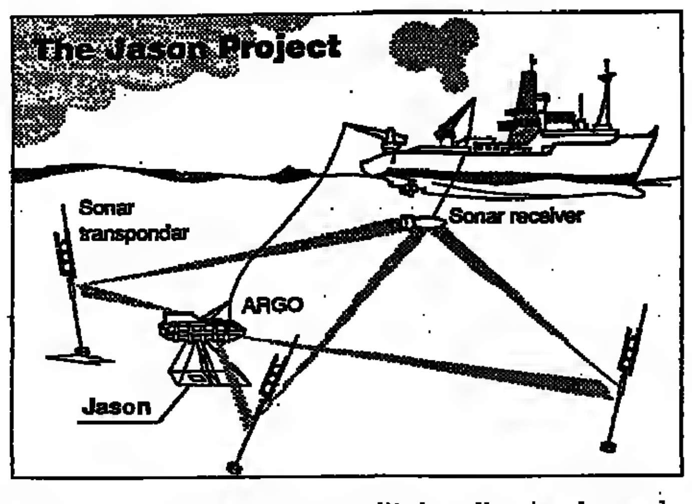
"Despite the distances being travelled, the digitally transmitted audio signals reach receiving equipment operated by EDS with sound comparable to compact disc quality," says the company.

And the future applications of the Jason technology, EDS claims, are equally exciting. Apart from discovering the deepest ship to be found in the Mediterranean, Jason also found some worms the like of which the project's biologists had never seen.

Tha worms are being shipped back to Woods Hole for examination, along with other specimens from the sea floor.

Jason could be used to survey deep sites for commercial or military use. It could search for crashed aircraft and their vital black boxes, transmitting the data instantly to the rescue team for evaluation.

Meanwhile, however, Jason is still in the Mediterranean, trying to blow the mud of 2,000 years off a ship-wrecked Roman merchant ship.



Testing time for a lift truck powered by hydrogen

Toyota of Japan, the world's third largest maker of lift trucks, has developed a forklift powered by hydrogen.

The company has one demonstration model of the MH on test. It says, however, that a number of technological and cost problems must be overcome before it can be offered commercially.

Tbe forklift, which has a conventional four-cylinder engine, is designed to be virtually as clean in operation as an electric-powered truck, but to offer more power and easier replenishment of fuel.

Alternative sources of power in lift trucks are engines fuelled by diesel or by liquid petroleum gas (LPG), and motors driven by electricity supplied from batteries.

Diesel and LPG trucks produce substantial exhaust emissions. Electric trucks are clean but less powerful.

They also require up to 12 hours for battery recharging and this must usually be done after every shift of eight to 10 hours. The operation period can be extended by installing two batteries, but in big trucks these batteries can cost np to £3,000 each.

Toyota says that the MH is 30 per cent less powerful than an LPG truck, but 50 per cent more powerful than an electric vehicle while being almost as environmentally clean. The principal emmission from the MH is steam.

Refuelling of the MH takes about 30 minutes. One of its main technical problems, though, is that it operates for only four hours between refuelling. Toyota says this will be improved.

Manufacturers using forklifts on their sbop floors are likely to he worried about the safety aspects of the MH, given the combustible nature of hydrogen. Toyota says that the design of the MH fuel unit makes it safe to use.

The MH employs an iron and titanium metal hydride alloy (from which the MH name is derived) for fuel storage and release. This was developed by Toyota and Nippon Steel.

The alloy is in powder form. When cooled or pressurised in a hydrogen atmosphere, the alloy absorbs hydrogen into its crystal lattice-work and emits heat. When heated or depressurised, hydrogen is released and heat absorbed.

Heated coolant water from the forklift's engine is forced into the alloy, driving the hydrogen out and into the engine, which is normally fuelled by LPG. According to the company, the metal hydride alloy it uses offers greater volume and better safety than other alloys that could be utilised.

The tank holding the hydrogen sits towards the back of the truck and replaces the standard metal counterweight that keeps the vehicle balanced when heavy objects are loaded on to the forks. The hydrogen would have to be replenished from a cylinder.

Forklift operators already have a choice of a wide variety of models with a broad range of specialist features and power sources. It might, therefore, be open to question whether Toyota can make its hydrogen-fuelled machine operationally viable and then persuade companies to use it.

Nick Garnett

Choosing best way to assemble

MANUFACTURING engineers at John Brown, a UK production automation specialist, are using new software to optimise methods for manual and automatic assembly systems.

The software, developed by Boothroyd Dewhurst of the US, will assess both the proposed product and the components involved to arrive at the easiest and most cost-effective technique. The company also provides training and back-up services.

John Brown, of Coventry, has used the software with designers and manufacturing engineers at Ford UK. Its staff were able to suggest a number of design changes to a car pedal box unit that simplified assembly without harming the product's operating efficiency.

The way the system works is for the user to enter data relating to design, production volume, the number of components, investment policy and so on. Then the software indicates whether assembly at each stage should be manual, carried out by a special purpose machine, or dealt with by a programmable assembly system (one which would be capable of various tasks under computer control).

Analysis of each method leads to an accurate assessment of the cost of assembly by different methods.

Asking the user about software

INDIFFERENT applications software is being produced in the majority of medium-sized and large organisations because the concepts used to define quality are inadequate. That is the view of a report from the Butler Cox Productivity Enhancement Programme, which analyses the progress of subscribers.

The London IT management consultancy says that "user perception" is ultimately what matters when assessing the quality of the software, in other words, what the user believes the system should offer and how it should be provided.

But in most organisations, says the report, those responsible for quality assurance make the mistake of equating the quality of the applications software with its functionality (the number of clever things it will do).

Therefore, they cannot hope to ensure that the system will match user expectations, because they are failing to assess such factors as ease of use (by the user, not the designer), operational performance and flexibility in terms of changing business needs.

From a survey of subscribers, Butler Cox concluded that current quality assurance practices "do not guarantee that high quality applications software will be produced." What is needed is not more policing of quality, but "a significantly extended definition of what a high quality system entails."

The report provides guidelines for improvement based on the best practices found in the organisations researched.

From diesel to alcohol

IMPERIAL Chemical Industries (ICI) is promoting an additive for alcohol fuels, called Avocet, which enables diesel engines to use them. A trial is under way on 12 buses in Los Angeles.

In the US, diesel buses and heavy trucks are regarded as serious air pollution offenders. The Environmental Protection Agency estimates that the fumes from one bus are equivalent to those from 500 cars.

Although methyl alcohol, or methanol, has long been recognised as cleaner than diesel, its use has required expensive modification of the engine to achieve satisfactory ignition.

ICI does not reveal the chemical composition of Avocet, but says that a small amount added to the fuel and a minor modification to the fuel supply system can achieve "the desired environmental benefits quickly and economically."

Lower price satellite systems

INMARSAT, the international satellite operator with investors from 55 countries, has commissioned Inmos, the UK semiconductor company, to study the technology needed to integrate satellite mobile communications and navigation facilities into a single compact terminal.

To date, ship and airborne communications via satellite have developed separately from satellite navigation, even though users frequently need both. Combining them could halve the total cost of on-board equipment, says Inmarsat.

Inmos, now part of SGS-Thomson, is the developer of the Transputer, a parallel processing chip which will be used in the project.

Phase one will seek to integrate Standard-C, Inmarsat's new mobile communications unit, with the mobile segment of the US Global Positioning System. The same analysis is also likely to be conducted for the Soviet navigation system, Glonass.

In the third phase, the objective is to build an integrated Standard-C/GPS demonstration prototype. Some 8,400 ships use Inmarsat facilities and the organisation has extended its activities to aircraft.

WORTH WATCHING

Edited by Geoffrey Charlish

A barrier to weed growth

WEED growth along roads and pavements can be prevented by Typar Biobarrier from Reemay Inc of Old Hickory, Tennessee, a product initially researched by Battelle Pacific Northwest Laboratories the US.

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CONTACTS: John Brown: UK, 0203 473748. Butler Cox: London, 831 0101. ICI: London, 834 4444. Inmarsat: London, 387 9089. Battelle: US, (509) 375 2561.

ARTS

Cannes Film Festival kicks off with deadpan derangement

Liberty, equality, fraternity. Two hundred years after the French Revolution, I am willing to present a Golden Guillotine award to anyone who can find these ideals at the Cannes Film Festival.

For most of us, cast into the inner darkness of round-the-clock movie theatres, liberty is a forgotten privilege. Equality at Cannes is on a some-are-more-equal-than-others basis, depending on the colour of your accreditation. (Pink card good, pink with gold blob better; most others terrible.)

And brotherhood? *Sacré bleu*. Witness the fight to get into a hotly-tipped film – or even to get to the front of the queue for press-box keys – and you realise that not since the days of Robespierre have so much blood and invective been spilt in the interests of European culture and civilisation.

Still, the festival goes on. And who would miss it? This year, the stars are numberless as ever: Meryl Streep, Nick Nolte, Anthony Quinn, Omar Sharif thus far. The directors with new films include Scorsese, Coppola, Skolimowski, Schepisi and Hugh Hudson. And the Cannes sea-front is bursting with strange erections: including two side-by-side pavilions, belonging to Britain and the US, which resemble the work of a mad origami artist afflicted with giantism.

And the movies? To date, these show a bracing fondness for comedy. Fastest out of the starting-blocks have been Ettore Scola's *Splendour* and Steven Sonderbergh's *Sex, Lies And Videotape*. In the first, the veteran Italian director (*Le Bal, The Family*) casts Marcello Mastroianni as an ageing cinema owner recalling his life in chunks of flashback. He meditates on movies, marriage (to Marina Vlady) and the motherland, where *Il fascismo* still thrives in the property sharks who try to grab his lovely but ever-emptier theatre.

In-jokes galore here for festivalgoers. (They roared at the scene of Mastroianni instructing the local critic what to write to puff a new film.) But also wit and wistfulness for everyone: right up to a last scene of snow falling in benediction, through the cinema's sliding roof, on the heads of those attending the "last picture show."

Sex, Lies And Videotapes show what has for many replaced cinema. Home video. In a comedy of deadpan derangement, three moth-like lives flutter round the flame of an amateur video nut (James Spader) who likes to record sexual confessions. "Do you get off on watching women talk about sex?" asks beautiful, indignant Andie McDowell (formerly Jane in *Greystoke*). "Yes" he replies. So there. Soon Andie is victim number umpteen, and her husband and sister also climb into the plot. The dialogue has an addled brio and piquant eroticism all its own, and only a let's-get-serious ending – with moral comedy turning into maudlin psychodrama – lets the film down.

The Directors Fortnight began with a fleet-footed farce from Italy's Roberto Benigni, last seen as the pidgin-English-speaking crackpot in *Down By Law*. Writing and directing *Il Piccolo Diavolo*, he also stars in it: as a pintsize devil exorcised out of a woman's body and spending the rest of the film plaguing the priest responsible (Walter Matthau, dubbed). Funny and full of charm. Meanwhile US film-maker Jim Jarmusch, last seen directing Benigni in *Down By Law* (it's a small world), offered us *Mystery Train*. Here loopiness vies with longueur in three interspliced tales of oddball visitors to Memphis, Tennessee. A Japanese couple, an Italian lady and a trio of hoodlums have kooky adventures in Elvis-town, aided by many chortles but some yawns from the audience.

Add to these ribticklers the annual down-market fare in the Market – this year's titles include *Rabid Grannies* and *Lobster Man From Mars* – and you would suppose that Cannes is a laughter cure for Ageing Film Critics and Tired Businessmen.

But leap not to conclusions. We are about to be hit by the heavy stuff. As I write, the first two juggernauts have rumbled into town and they are Hugh Hudson's *Lost Angels* and Denys Arcand's *Jesus Of Montreal*.

Both are modern-dress passion plays and both bulge with piety. Hudson's first movie since *Revolution* clothes in swirling colours and camera-movements the tale of a teenage boy (Adam Horovitz of the Beastie Boys) pitched into a Los Angeles remand home by uncaring parents. He runs away, goes back, runs away again – all because no one loves him except shrink Donald Sutherland, whose age, white hair and gravel voice are now fast turning into Raymond Burr. Dazzlingly shot on a wide screen by Juan Ruiz-Anchia (*House Of Games*), the film is a grand-opera treatment of a soap-opera script (by Hudson's fellow Briton Michael Weller). The boy's overdrawn skirmishes with Gangland, L.A., are like *West Side Story* without the songs, Philippe Sarde's music pumps out Dolbyised doom, and the adults' are shamelessly caricatured as knaves or ninnies who have all – save Saint Donald – lost touch with the Truth of Youth. More work spent on humanising the story, and less on recklessly hyperbolising it, might have produced a bearable film.

Jesus of Montreal's pieties are subtler. Spiked with satiric giggles, this French-Canadian movie from the director of yesteryear's Cannes hit *Decline Of The American Empire* gives us a New Testament for the yuppie age. "Jesus" is a young actor (Lothaire Bluteau) who gathers four fellow-thesps around him to perform a Passion Play. *A tres radicale* one: it hits out at the Scribes and Pharisees of modern Montreal, from payola local politicians to doctrinaire priests to advertising moguls. For his sins, our hero himself ends up "crucified," his dream ended but his disciples still alive to continue the work.

There is something repulsive about a Cannes audience, attending the most commercially underwritten event in the world, chortling with delight at cheap jibes about commercialism. (A model "walks on water" to advertise a perfume: an agent for TV ad-spots is the modern Satan, tempting the hero with the world's riches from the top floor of a skyscraper.) Arcand's movie, for all its cunning and sophistication, is at heart a sample of the New Piety. Down with the market economy: up again, please, with a re-heated 1960s radicalism. The Cannes audience – which seems to belong for ever in the 1960s – cheered it to the roof.

Well, almost. Warmest raptures so far were awarded to a more deserving movie: *Lawrence Of Arabia*, which gala-opened the festival. Shimmering out of history, David Lean's restored 25-year-old epic – golden, grandiose and three and three-quarter hours long – stands amid the rest of the Canes line-up like Babylon set down in Balham. The film opens in Britain next week: more then. And more from Cannes sooner.

Nigel Andrews

Italians in London

William Packer visits the Accademia Italiana and Grob Gallery

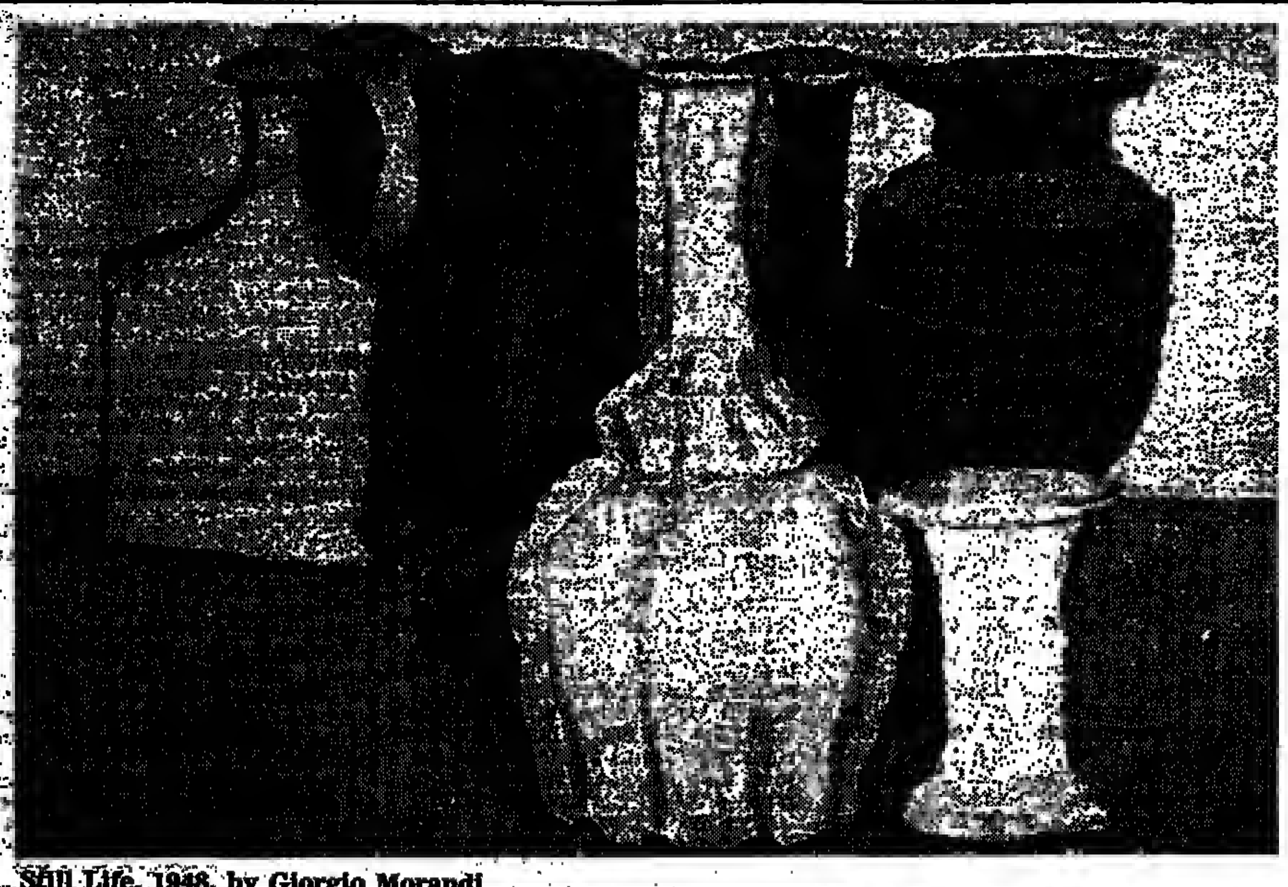
A major new gallery or institution in London is always to be welcomed, most especially if it addresses itself to a particular cultural tradition or achievement. The Accademia Italiana - delle arti e delle arti applicate - lately installed, with the help of Glaxo, in a splendid new home at 24 Rutland Gate, SW7, makes clear enough by its title what its purpose is.

Its inaugural show is given to the work of the painter, Giorgio Morandi (until May 23: sponsored by the BOND group), who died in 1964 at the age of 74. He has long been celebrated for the particular qualities of his work, the quietism and abstracted, repetitive simplicity of his still lifes, insistent as a mantra. But, just as the Italian school from which he sprang was, in the received wisdom of modernism, no more than a side-show, so was he no more than a sport, distinctive and indeed distinguished enough to be noted in any self-respecting public collection, but then passed over. The last and only major retrospective exhibition in this country was at the Royal Academy in 1970.

All that has now changed. First, in the 1970s, it was the turn of the futurists to be restored to their proper place alongside their great cubist and expressionist contemporaries. Then, in the 1980s, we have seen the metaphysical painters, and Giorgio de Chirico above all, celebrated as something more than the mere fore-runners of surrealism. All this has lately been amply confirmed in major exhibitions of modern Italian art, at the Royal Academy earlier this year and currently at the Palazzo Grassi in Venice.

And it is in this context, set among his peers, that Morandi has emerged as a true star. But no anthology or survey show, no matter how thorough, can give tha whole story, artist by individual artist. It is therefore a particularly happy chance that brings the fuller show to London at this juncture, though for so short a stop on an international tour – it has come from Finland and Russia, and goes on to Locarno, Tubingen and Dusseldorf.

If the futurists may be seen to represent the more extroverted, theoretical and polemical aspect in Italian early modernism, so the metaphysicals stand for its obverse: private, mysterious, suggestive. Theirs is an hallucinatory world invested with a mood of feverish stillness and clarity, its imagery possessed of an impenetrable, monumental ambiguity. The perspective is out of kilter, the light heavy, the space palpable.



Still Life, 1948, by Giorgio Morandi

Coming to all this at some time around 1917, after an early, tentative flirtation with cubism, Morandi never entered the entirely imagined world of de Chirico or Carra; but he joined in at the point of interest in the concocted tableau, the symbolic, real yet unreal still-life, the milliner's model in a box. For him it was then but a small and easy step to the still-life proper, so pure and simple as it became under his hand. And his continuing importance to Italian modernism lies in the simple fact that, mutatis mutandis, he alone remained the true, or at least unmodified metaphysical.

De Chirico, after his own distinctive fashion, moved towards a thorough-going surrealism, Carra and Sironi broadened their scope to embrace a nostalgic and symbolic classicism. Only in Morandi, in that endless succession of simple arrangements of jars and pots, cups and beakers, stated with so exquisite a refinement, do we still find, even into the 1960s, that acute concentration of imaginative experience that was the true mark of high metaphysical sensibility in those years before 1920.

That Morandi was not only a painter of still life, but also one of the century's great landscape painters has been one of the significant surprises of all these recent shows, which this one fully confirms. And again, alone of his peers, he was able to carry that metaphysical spirit and sensibility into work that was apparently so simple and straightforward.

Bambino Ebreo, wax over plaster, by Medardo Rosso

In the landscapes the handling is perhaps a little looser and more obviously expressionist, and the colour brighter, but the structure is always as firm and the tonality as close as in the purest of the still lifes. The shadow falls across the wall of the house in the sunshine as upon the shelf in the quiet gloom of the studio. The pinks and greys, the pale yellows and terracottas of the pots shimmer as insistently together as the more variegated greens and browns of the landscape. The paint is full, the texture soft and rich. And by the simplest means all there is to be said is said, of form in space revealed by light. It is all one.

★

But Morandi is alone neither in being restored to the spotlight by the Italian shows nor in having a current London show to himself. Medardo Rosso (at the Grob Gallery, 20 Dering Street W1: until the end of June) was a sculptor, 32 years Morandi's senior, whose work holds an important place in the story of modern sculpture, most especially in the 1890s as it moved from impressionism and symbolism towards expressionism. He stands in sort as a marker to the new century, and he rightly figured at the start of both the big survey shows.

From a freely modelled naturalism close to that of Rodin, he became intrigued by the possibility of registering effects of light and atmosphere through the medium of sculpture. His imagery grew ever more fragmentary and impalpable, the presence of a head or face more suggested than realised, the human presence itself, by extension, momentary and fugitive. He abandoned the modelling orthodoxies of clay and bronze for the more malleable wax and evolved a technique peculiar to himself.

Laid over plaster, the wax takes on a translucency and subtle liveliness than teases the imagination as it disguises the form. The statement is rapid, even perfunctory, the effect oddly disturbing.

The Voysey Inheritance

ROYAL EXCHANGE, MANCHESTER

Harley Granville Barker's play is labelled a comedy, and indeed it has many good jokes and it ends, as comedies should, with the long-delayed association of a loving pair. But it is richer in important ideas and trenchant thoughts than many a modern comedy can offer.

Edward Voysey (Robert Glenister) is his solicitor father's partner. One morning, as they prepare for the day at the office, Mr Voysey (to whom James Maxwell gives an almost aristocratic polish) asks his son what he thought of the papers he had given him to read.

What the papers had told was that Voysey had for years been gambling with his clients' money, reinvesting their investments and giving them what they should have earned and no more. On the strength of this, he had built a prosperous upper-middle-class life for himself and his numerous family. Edward, a decent, simple young man, is naturally horrified.

This situation snakes throughout the play with fascinating variations. We hear that Voysey had inherited it from his equally dishonest father; that Peacey, his clerk (Milton Johns), has known about it for years. Must Edward join in the defalcations? Is it not possible to clear the shortages and carry on an honest trade? But so many people have expectations to be satisfied! Honest dealing won't make enough to cope.

Edward is doing his best when *his father suddenly dies*. What now? At a family gathering after the funeral, he tells them what has been going on. The firm can't manage, but I shall do what I can, and that means I shall want as much as I can get from you. This is a fine scene. We have met the family before, at dinner with the old man, where we see Booth (David Allister), tha shouting major, his godfather George Booth (Ralph Michael), Hugh (John McAndrew), the liberal artist, and among many others, Alice (Harriet Bagnall) who has a weakness for Edward. But they are a different lot when they are faced with the possible loss of their incomes.

Eighteen months later, Edward (who brushes his hair progressively more tidily as he becomes more respectable) is still trying to keep everyone happy on his reluctant dishonesty. His father, now commemorated by a bronze, once had the firm square but preferred to go on making money, we hear; will Edward do this? No, for old George Booth decides to take his business away from the firm: Edward is not like his father. This is followed by another family scene, where old loyalties are wearing thin. Booth, who regards money as sacredly as his shouting godson regards honour, makes an arrangement that suits himself but may ruin Edward. There is much tangential discussion of Hugh's decision to separate from his wife, and finally of Alice's resolve to marry Edward.

We do not know at the end whether Edward will be taken to court or not (his celebratory kiss for Alice is hardly warm); but we have heard a tricky case argued from many aspects, and we have seen a fine production under Gregory Hersov's direction. The playing is first-class, and the writing is like Shaw but better, for the people are less Shavian, more individual. Michael Holt has designed properly self-satisfied office and house scenes.

B.A. Young

Sweet Shop Owner

THIRD EYE CENTRE, GLASGOW

Graham Swift preceded his award winning *Waterland* with this meticulously pointilliste study of reticence.

The shop keeper has been installed in business by his wife – cool, reserved, unreachable and unreaching – as part of a role playing bargain understood by both. Their marriage never admits an underlying love, nor do they openly acknowledge their consciously created relationship – he apparently bumble and clumsy, a failure; she beautiful and dominating.

The give and take, revelations of surprising strengths and unexpected weaknesses misunderstood by outsiders, even their daughter, make up the delicate texture of contradictions and paradoxes.

The director Phelim McDermott and the company dereck Productions have adapted the novel for the stage, currently gracing Sauchiehall Street's Third Eye Centre for Glasgow's Mayfest. Julia Bardsley, the company's co-founder with McDermott, and herself directing successfully (notably at the National), has designed the set: an L-shaped counter with empty shelves that gradually fill with sweet jars as the action progresses.

The collaborators have a distinguished track record but lifting such an elliptically introspective work from the page and turning it into too too solid theatrical flesh results an in air of precious contrivance.

Condensation and impressionism do not always make for clarity. Those who have not read the book may be confused by the novel's reported speech placed unaltered in the mouths of the characters, who accordingly use the third person. The sweet shop assistant Mrs Cooper refers in a few lines to her employer's wife and daughter and herself as "She."

The background of several characters is omitted or barely hinted at. I suspect the shadowy figures of the estate agents left a few spectators bewildered as to their precise purpose and function. Pruning the text, allusive and self-referential on the printed page where the reader can establish his own pace, is less lucid than mystifying in the theatre; as when, apparently for no reason, Mrs Cooper remarks "Yes, it must have been beauty." All very cryptic, very significant, and, given the occasional inaudibility of the actress playing the wife, finally irritating.

The production makes a brave stab at the right style, but it really is a rash enterprise to stage a work where so much depends on inner monologues, on carefully selected physical description, on every remark being weighed down by emotional baggage. The final impression is less eloquent than exquisitely exiguous.

Martin Hoyle

ARTS GUIDE

May 12-18

OPERA AND BALLET

London

Royal Opera, Covent Garden. The latest showing of the splendidly exotic Andrei Serban production of *Turandot* is conducted by Stephen Barlow, and the cast includes Olivia Stapp, Lando Bartolini, Yvonne Kenny and Willard White. Peter Hall's celebrated Glyndebourne production of *Albert Herring* is borrowed for a first London showing. Roger Norrington conducts, and the cast is the original one.

Paris

Châtelet. Francis Poulenc's *La Voix Humaine*, a one-act lyrical monologue by Jean Cocteau. Ensemble Orchestral de Paris conducted by Serge Baudo in a new production by Alain Francon, the woman represented by Gwyneth Jones (40282828). Théâtre des Champs Elysées. San Francisco Ballet dances *Swan Lake*. Choreography and artistic direction by Helgi Tomasson (47209637).

Rome

Teatro Dell'Opera. Mauro Bolognini's production of Francesco Cilea's *Adriana Lecouvreur*, with Raina Kabaivanska and Alberto Cupido (46.17.55).

Florence

Teatro Della Pergola. John Cox's production of Mozart's *Idomeneo*, conducted by Myung-Whun Chung, with Dano Raffanti (Idomeneo), Dolores Ziegler (Idamante) and Mariella Devia (Ilia) (247964l).

Venice

Teatro la Fenice. Wagner's *Parsifal*, conducted by Giuseppe Sinopoli, with the choir of the Warsaw Philharmonic and the Piccoli Cantori Veneziani. In the cast are Wolfgang Brendel, Pamela Coburn, Julia Conwell, David Griffith and Kurt Rydl. (5210161).

Berlin

Opera: Theater des Westens. Leonard Bernstein's opera *Candide*, produced by John Dew will have its premiere this week. The cast includes Jane Giering, Iris Vermillion, Patricia Johnson, Wolfgang Trautwein and Donald George. *Così fan Tutte* in Götz Friedrich's production features Eva Johansson, Mariana Cioromila, Carol Malone, Alan Titus and Gerd Feldhoff. *Rigoletto* has fine interpretations by Angela Denning (Gilda), Ingvar Wixell in the title role and Victor von Halem (Sparafucile).

Hamburg

Opera. Wolfgang Rihm's opera *Die Hamletmaschine*, producedby John Dew is an important contribution to the development of modern opera. *Der Liebestrank* is sung by Marie McLaughlin, Jerry Hadley, Rolando Panerai and J. Patrick Raftery. Robert Hale repeats his much praised performance in the title role in *Der fliegende Holländer*. *Dornröschen* has wonderful John Neumeier choreography.

Cologne

Opera. Cologne honours the great producer Jean-Pierre Ponnelle, who died last year, by restaging the complete Mozart cycle of seven operas, all produced by him. This week's performance includes *Don Giovanni* with Ferrucio Furlanetto in the title role, Carol Vaness, Ashley Putnam and Ulrich Hielscher. *Rigoletto* has a new cast led by Benito di Bella, Janice Hall and Juan Lloveras. The ballet *Nussknacker und Der Mausekönig* rounds off the week.

Frankfurt

Opera. *Fire* will have its premiere, danced to choreographyby Laura Dean, William Forsythe, Daniel Larrieu, Amanda Miller and to music by Laura Dean, Jean-Jacques Palix and Tom Willems. *La Bohème* returns with a star cast led by Fiamma Izzo d'Amico (Mimi), Maren Hoffstodt (Musetta), Keith Olsen (Rodolfo) and Ryan Schexnayder (Marcello). *Der fliegende Holländer* convinces thanks to Simon Estes outstanding in the title role. Alte Oper. *Elektra* features Janet Hardy in the title role, Helena Doese, Bodo Brinkmann and Udo Holdorf.

Munich

Opera. *Fidelio* has a first rate cast led by Sabine Hass, Julie Kaufmann, James King and Claes H. Ahnsjoe. *Madame Butterfly* is sung by Keiko Kamegawa, Gudrun Wewezow and Eduardo Villa. *Tosca* features Natalia Troitskaya, Peter Dvorsky, Silvano Carroli and Hans Guenter Nöcker. *Le Nozze di Figaro* is well cast with Margaret Price, Ann Murray, Helen Donath, Alan Titus and Alberto Rinaldi. *Schwanensee* is choreographed by Peter Wright.

Bonn

Opera. *Rhapsodie/Theseus* and *Ariadne* are both choreographed byYouri Vamos. Last performance of *Die Fledermaus*. *Tannhäuser* stars William Johns, Heinz Sotin, Gabriele Benackova, Nadine Denize and John Brocheler. Also a concert version of Bellini's rarely played *I Puritani* with Piero Cappuccilli, Edita Gruberova, Robert Scandiuzzi, conducted by Miguel Gomez-Martinez.

New York

American Ballet Theatre. *Bum's Rush*, *Boerlast* and *Quartet*, three works Tywa Tharp created for the company and set to music by Dick Hyman, Jerome Kern and Terry Riley, highlight the second week, which also includes Clark Tippett's *Bruch Violin Concerto No. 1*. Classics revived in the week are *La Sylphide* and *Gaîté Parisienne*. Lincoln Center Opera House (362 6000).

Amsterdam

Muziektheater Nederlands Dans Theater celebrates its 30th anniversary with *Symphony in D* (Kylian/Hadn), Arenal (Duato) and Hans van Manen's new ballet *Black Cake* (Fri, Sat, Sun). Netherlands Opera production of *Simone Boccanegra* by Verdi directed by Stephen Wadsworth. The Netherlands Philharmonic conducted by Graeme Jenkins, with Henk Smit in the title role, and Charlotte Margiono as Amelia (Sun, Wed) (255 455).

Northern Lights

BRIDGE LANE THEATRE

This dreary little hotch-potch of dramatic clichés from the vigorous slice-of-proletarian-life drama of the last 20 years is as appetising as a slab of the raw cod from which our heroines remove the worms occasioned by the fishes' diet of seal excreta. For this background information but not much else I am indebted to Frederick Harrison's new play brought to Battersea's Bridge Lane Theatre by Hull Truck.

Production and writing seem a faded carbon-copy of Hull Truck's traditional virtues. The basic jollity of the approach fails to work up much sympathy for these three Humberside lasses who accept a six-month fish-gutting contract in Iceland.

By the time that reserved, amiable Deb lets rip a diatribe of self-loathing about doing the jobs the locals won't touch, drinking too much every week-end, and getting involved with men they neither like nor respect, all because there is nothing for them at home, it is too late in the play for us to feel concern.

An incidental tragedy of the past decade is the decline into self-absorbed and vindictive hopelessness of the underprivileged, a mirror-image of the bullying selfishness of the 1980s. The trouble with Deb and Tracey and Jenny is not that they are unlikable in their misfortunes but that they would, we feel, remain so even if their luck turned.

Meanwhile, the playwright assures us indirectly that Deb is liked by everybody and Tracey is a wag, though little in their portrayal gives much indication of this. Jenny is foul-tempered and brooding, insofar as any character emerges. They alternate between raging about the claustrophobic dullness of the Icelandic village and marvelling that it's so "different."

Tracey finds the brisk attentions of Peter Petersen no better than the boys back home. She is eventually bundled out of the country as a drug-user. Scowling Jenny inexplicably stops hating everything. And sturdy Deb decides to give Australia a try, prompting in this observer at least reflections on (fish) frying-pans and fires.

Martin Hoyle

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The poor are still here

POVERTY is back on Britain's political agenda. Yon can see people sleeping rough on London's pavements, although perhaps not as many as you can in New York, but it is not this that has brought the matter to the forefront of public debate. That has been achieved by a single speech by the Secretary of State for Social Security, Mr John Moore. The speech makes some salient points but, taken as a whole, its political wrongheadedness is reminiscent of a celebrated proclamation on the "cycle of deprivation" made hy one of Mr Moore's predecessors, Lord (Keith) Joseph, some 15 years ago.

That speech cost Lord Joseph his chance to bid for the leadership of the Conservative Party; the effect of Mr Moore's somewhat less melodramatic exposition on his own career remains to be seen. Its timing is, to say the least, curious, since according to various opinion polls many ordinary voters are currently in a state of some disquiet about the apparently uncaring side of Thatcherism.

Resentment and envy

The principal message that the Social Security Secretary sought to get across is that it is a mistake to define poverty as an income below 140 per cent of support payments. If this is done the level of "poverty" increases in line with the income snpport it is supposed to counteract. Quite so. If he had said just that, his speech might have been less widely noticed and the debate on poverty might not have been rekindled.

But Mr Moore goes on to say that "a certain kind of politician" uses this 140 per cent definition to keep "the fires of resentment and envy . . . forever stoked." He qnotes the lurid language of Victorian analysts of poverty to rub home his point that things are different today. The average reader could be forgiven for deducing from all this that Mr Moore is interested only in seeking out cases of absolute poverty, leaving the concept of relative deprivation to "a certain kind of politician." Yet most social scientists and economists going right back to Adam Smith have recognised the validity of a concept of relative deprivation; the latter regarded necessities as "whatever the custom of the country renders it indecent for creditable people, even of the lowest order, to be without."

Relative poverty

The truth is that there is soma ahsolute poverty (see those pavements) and a larger amount of relative poverty in Britain today. Some people in these categories – the disabled, say, or the mentally handicapped – are better off in real terms than similar people would have been when Mrs Margaret Thatcher became Prime Minister in 1979. Others – the genuinely homeless, or the confused old in need of community care – are likely to be worse off. The Government has been particularly remiss in delaying decisions ahont the latter. Mr Moore indicates that his department is seeking out those in undonhted need and concentrating assistance upon them; tha language of his speech gives the impression that his definition of the deserving poor is extremely narrowly drawn.

It also expresses clear distaste for those who are "pursuing the political goal of equality . . . Their purpose in calling 'poverty' what is in reality simply inequality, is so they can call western material capitalism a failure." This is the nub of the matter. A hundred statisticians working a hundred computers could not disprove that inequality has increased under Mrs Thatcher.

It is still increasing, as indirect taxes take their toll. It will be made worse by the poll tax. Some exponents of capitalism, particularly those associated with the New Right, appear to believe that a marked degree of inequality is an essential concomitant of growth. To the extent that this is true, it is a matter of degree. Most other continental European countries, whether of the Christian Democrat or tha Social Democrat persuasion, are governed by parties that allow for some tendency towards redncing inequality, particularly at the bottom end of the scale. Many "one-nation" British Conservatives have the same view. Not Mr Moore.

The greening of England

UNTIL very recently, Britain had a rather poor reputation on care for the environment. Indeed, in some areas – notably in the contribution of its coal-fired power stations to the huild-np of acid rain on the Continent – it bas been labelled the dirty man of Europe. However, after Mrs Margaret Thatcher's speech on green issues last August, some of that has changed: at least the Government's rhetoric has shown much greater concern for the environment, evidenced again only last week with the criticism of farmers as polluters by Mr Nicholas Ridley, tha Environment Secretary.

Mr Ridley's timing was in a sense curious, for only the day before his colleague at the Ministry of Agriculture, Mr John MacGregor, had released details of one of the few government schemes, cantiously welcomed by farmers, designed to have a practical effect on pollntion. The Environment Department and the Agriculture Ministry between them are taking positive steps to see that farmers do not continue to pollute water supplies hy high use of fertilisers and other harmful farming practices.

Last week they published a consultative document outlining a plan to establish pilot nitrate protection zones in areas like East Anglia and the Midlands where nitrates in surface or underground drinking water supplies are above or near European Community limits. The idea is that in the worst affected areas farmers will follow practices designed to stop nitrate leaching, including severe limitations on their use of nitrogenous fertilisers and perhaps even replacement of arable land with unfertilised grassland.

Limited extent

This is not as green as it might seem. The so-called nitrate sensitive areas will be limited in number and extent. The arrangements are voluntary in the first instance, while the action is being taken in part to stave off the wrath of the European Commission at Britain's dilatoriness in applying EC drinking water standards.

The 1980 EC drinking water directive set a 50-parts-per-million nitrate level which should have been complied with four years ago. That it has not been is partly because tha Environment Department seems to have bungled in helieving it had a derogation from the directive heyond 1985 and partly because there is a belief in official circles that the EC limit is unrealistic and possibly nnnecessary on health grounds.

But Britain is saddled with the directive, which is now Community law. Last month the Commisston threatened legal action unless more was done to meet its provisions.

Protection zones

There is ona more factor spurring on the Government's nitrate plans: last January, the Commission produced a draft directive which would estahlish Community-wide nitrate protection zones. The Government believes this directive is unreasonable as it stands and wants to prove that a more flexible, limited scheme can work.

But whatever the reason for their establishment, the pilot nitrate sensitive areas should he welcomed – as indeed should the Government's obvious desire to prepare for them carefully. The consultation period allowed is short – two or three months – hnt still time enough for farmers and fertiliser manufacturers, who could be most seriously hit, to respond.

The Government bas said it will only decide on the number and extent of the areas – and the levels of compensation – after consultation. It is also important that the scheme should be voluntary at least at first, while the principle of compensation is also crucial; much leaching has been caused over the last 30 or 40 years as governments encouraged farmers to plongh up grassland and produce without limit.

The Government must try to strike a balance between listening too long to farmers' objections and producing a scheme too timid to control leaching or too bureaucratic to be effective. If it gets the balance rigbt, the new plans should prove a step in the right direction, both in meeting long overdue commitments under EC law and in the practical greening of the countryside.

Robert Graham and Gary Mead look at the implications of the Peronist Carlos Menem's victory in Argentina

Tests ahead for an untried leader

A storm was brewing in Bnenos Aires just as the polling booths closed on Sunday. It broke with a downpour late in the evening – just as it became clear that Mr Carlos Saul Menem had won a convincing victory to become Argentina's 46th President.

The storm seemed an ambiguous omen for Mr Menem, the Peronist candidate. Will the 58-year-old governor of La Rioja province, wholly untested in national politics, cleanse the troubled soul of Argentina? Or will he recreate an ontdated neo-fascist state in the style of his hero, the late General Jnan Peron, plunging Argentina further into the murk?

Mr Menem's victory over Mr Eduardo Angeloz, candidate of tha ruling Radical Party, had been expected for at least six months. None the less, the conseqnences of Sunday's vote are unclear. Indeed, there is no recent parallel in Latin America for a leader elected to office with such a limited record and such a vague programme.

Like the Pied Piper, he has simply said in all his speeches: "Follow me." On tha vital question of the economy, which affects tbe pocket of every Argentine, he has called for hard work and an undefined "revolution in production." This offers little cheer to the international financial community, already concerned about Argentina's $3bn (£1.56hn) arrears on its $60bn foreign debt.

Mr Menem undoubtedly owes part of his appeal to the naïve nostalgia surrounding Gen Peron, who died in 1974. "It's an Argentine form of ancestor worship," says one Latin American diplomat. More important, Mr Menem's outsize sideburns and provincial background help him embody the rough and ready style of the 19th century *caudillo*. In this role, he represents both the authentic nationalism of Argentina and the anti-Buenos Aires anti-intellectual vein summed np by Gen Peron when he said of his spending priorities: "Shoes Yes. Books No."

The loss of at least one third of the ordinary citizen's purchasing power during the past six years of President Raul Alfonsin's Government, combined with a perception that the ruling Radicals have been more concerned with the fate of their party than the nation, gave Mr Menem a fresh appeal. He has promised to restore the average monthly wage, now $70, to the level of 1976 – the year Isabelita Peron was toppled by the military.

The new President has had to overcome formidable odds to reach tha top. As a first generation Syrian immigrant, he was a Sunni Moslem who converted to Roman Catholicism. It is the first time that a "turco" (the local name for the Syro-Lebanese) has risen to such heights in Argentina, where the political class has traditionally been of Italian or Spanish origin. His wife Zulema (wed in an arranged marriage) remains a Moslem – a situation without precedent in Latin America where constitutions stipulate as a rule that the Presidents have to be Roman Catholic.

Mr Menem now becomes the first Peronist, apart from Gen Peron, to win a presidential election. Despite the uncertainties ahead, not all is negative. The election campaign was cleanly fought and Mr Menem's victory was an example of the healthy functioning of Argentina's democracy.

His lead over Mr Angeloz of almost 10 points gives a clear margin of victory while still ensuring thet the Radicals are in parliament as a strong party of opposition. The result in this sense confirms two-party politics in Argentina.

More important still, with six months to go before a presidential handover, President Alfonsin is now obliged to seek the active co-operation of the incoming government as soon as possible. Provided Mr Menem and his advisers realise they have a vested interest in co-operation, there is the basis for an agreed national emergency plan for the economy. Such a plan could help pave the way for some understanding with the international financial community.

The country has already fallen badly behind on debt service, however: arrears on interest payments on medium and long-term debt alone now total nearly $3bn. And bankers say Argentina is also in arrears with official creditors, including – from April 1 – the International Monetary Fund. US bank regulators are understood to have downgraded Argentine loans, making a debt deal difficult.

Mr Menem has yet to form a stable team and those who have surrounded him until now have distinguished themselves neither in the political or economic fields. Ha has only one economist of note in his team, Mr Domingo Cavallo, briefly president of the Central Bank in 1983. Yet the kind of decisions which the new President is going to have to take will require considerable technical back-up as well as political skill.

His victory has occurred in a month when inflation is, according to independent observers, likely to be anything between 45 per cent and 65 par cent. Annual interest rates have risen beyond 1,000 per cent and reserves cover no more than six weeks' imports. Mr Menem will find it difficult to disassociate himself from economic policy until he assumes office on December 10. But the record of Peronist economic policy is in direct contradiction to the declared aims of the present government.

The Peronists believe in a corporate state with the government acting as the motor for economic development. How current plans for privatisation, cutting the public sector deficit (12 per cent of gross domestic product) and debt conversion schemes – all agreed with the International Monetary Fund – fit in with that remains to be seen.

Mr Menem will also have to tackle the highly sensitive issue of taxation and persuade Argentines that tax avoidance is not the macho sport many seem to imagine. At the moment only 30,000 Argentines out of a population of 32m pay income tax.

Over the last year of electioneering Mr Menem has made himself hostage to the Peronist-controlled trade union movement. This has been the bedrock of his support. It has been given on the basis not just that Mr Menem will raise living standards hut also that the trade unions will retain their formidable privileges.

If Argentina is ever to modernise, reform of the trade unions is a key element. But in Argentina "reform" is inevitably a euphemism for confrontation, since its trade unions are the most powerful and most rigidly centralised in Latin America. By law, only one trade union is permitted to exist to represent a particular industry's workforce. This has created a monopoly of power that has determined the pattern of industrial relations, based on jobs for life which the economic crisis renders increasingly unmanageable.

Gen Peron manipulated trade union leaders. Those who opposed him were eliminated, those who fell into line were rewarded with security of office and control over considerable sums of money levied on employers and union members. That income is today calculated at $3bn, (more than last year's national trade surplus) and is entirely under the control of union leaders who – by law – face no opposition from within their own ranks.

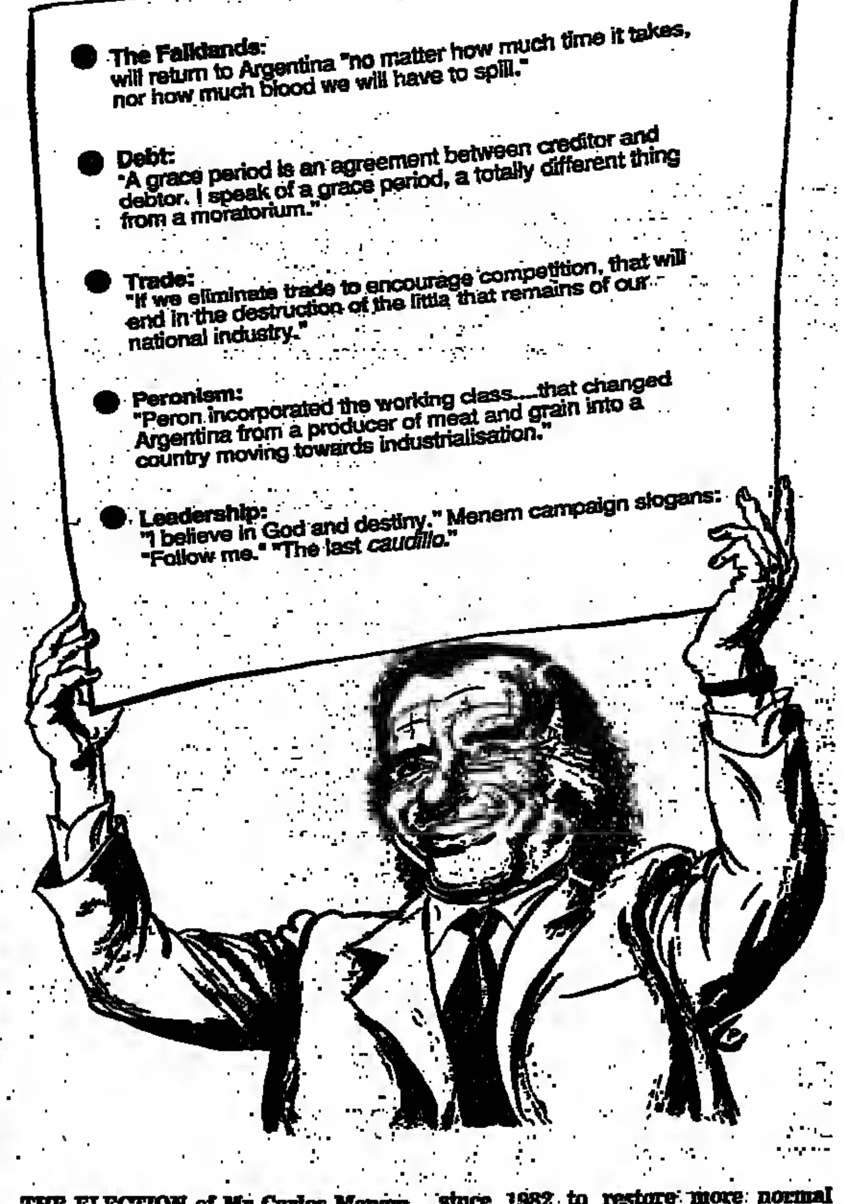
Mr Alfonsin tried to buy off union restlessness by appointing a minor trade union leader, Mr Carlos Alderete, as Labour Minister in 1987. The romance was short-lived and did not prevent 13 costly general strikes. The majority of Peronism's 4m unionists work within the state sector which, as a senior official last week acknowledged, "is really nothing more than social security; they sign on for the job, then go away for the rest of the day."

Argentina's dalliance last year with semi-privatisation of its state-run telephones and airline came to grief because the plans implied considerable manpower reductions. The trade unions involved made their opposition clear; that was immediately translated into parliamentary opposition through the Peronist party. The nationally-owned telephone company incurs an annual loss of $230m.

Mr Menem's position regarding the nation's other major power-broker – the armed forces – is ambiguous. In the last few weeks of his campaign he repeatedly refused to consider an amnesty for officers in prison for human rights offences committed under the 1976-1983 military dictatorships, and denied that he would forgive mutinous soldiers who have rebelled three times since April 1987.

That has not prevented him from being the army's choice for President, since his nationalist spirit and crusade for Argentine aggrandisement chimes well with military ideology. He has not distanced himself from the hard-line nationalist officers in the army who have been behind the three main outbreaks of military unrest under President Alfonsin. This position may, however, make it easier for him to deal with the military and to ensure that they remain in barracks.

President Alfonsin has always been haunted by the military. He has devoted most of his time to this problem, and for this reason feels vindicated by the elections. He sees himself as tha first President since 1928 to hand over power democratically and this is his greatest claim on posterity. Significantly, an Alfonsin booklet handed out to the press on election night was called The Three Great Years. This referred to his first three years in office. The last three are best forgotten.



THE ELECTION of Mr Carlos Menem is expected to turn the Falkland Islands once more into a burning issue, even though for the moment, British officials are discounting some of his more incendiary statements during the election campaign.

The Foreign Office, with its customary habit of looking on the bright side of things, is attaching more importance to the Peronist leader's more moderate statements on the subject than his dramatic declaration that regaining the Malvinas might require more bloodshed. Mr Menem has apparently also said that he wants to advance Argentina's claims to the islands by diplomatic means alone.

That relatively optimistic view of the situation is shared by the British Defence establishment, which is said to be convinced that Argentina does not, for the moment at least, possess the military capability to launch another invasion of the Falkland Islands.

The construction of the Mount Pleasant airfield enables Britain to reinforce rapidly its relatively small garrison of 1,500 to 1,800 men, reduced from 4,000 three years ago, a fact demonstrated successfully during last year's Exercise Fire Focus.

However, the long-term military situation could well be changed by the joint development by Argentina, Egypt and Iraq of the Condor 2 ballistic missile which, with a range of more than 600 miles, could reach the Falklands from the Argentine mainland within minutes. And plans to spend large sums on re-equipping the Argentine armed services could also ultimately affect the balance of power in the south Atlantic.

Meanwhile, all diplomatic attempts since 1982 to restore more normal relations between the UK and Argentina have run into the immovable obstacle of sovereignty over the islands, which Britain refuses to discuss and Argentina insists must be raised in any negotiations. That, in particular, was the cause of the breakdown of the bilateral Anglo-Argentine talks in Berne in 1984.

The British Government continues to maintain that the most realistic way of improving relations is through agreements on confidence-building practical measures. It also considers that diplomatic relations cannot be restored until Argentina formally declares that hostilities with Britain have permanently ceased.

However, most British initiatives to this end since 1982, including the unilateral lifting of restrictions on Argentine imports and financial relations, as well as efforts to establish a multilateral fishing regime in the south Atlantic, have failed to satisfy Buenos Aires, which has not reciprocated.

On the contrary, Britain's decision to go it alone on fishing and establish the Falkland Islands Interim Conservation and Management Zone (FICZ) of 150 nautical miles radius, has been bitterly disputed by Buenos Aires.

President Alfonsin, though adamant on the sovereignty issue, was at least anxious to search for diplomatic solutions and to keep the Falklands dispute off the boil. But the populist Mr Menem is even less likely than his predecessor to go to the conference table without being able at least to discuss the problem of sovereignty over the Falkland Islands, as the Spanish are able to do in their talks with Britain on Gibraltar.

Robert Mauthner

OBSERVER

Time to call him Alfred

■ Alf Gooding is used to going up in the world, and is a pretty good publicist to boot. Eight years ago he brought the CBI's annual conference to its feet by claiming that it cost him £500 every time his wife went to the hairdresser. The more sedate captains of industry cheered as he explained that that was how much he had to earn before tax at over 80 per cent to have enough left for the crimper.

Since those days tax has come down at about the same rate as Gooding's success has gone up. Yesterday, C Itoh, the leading Japanese trading bouse, took a 20 per cent stake in his Race Group. Itoh has a turnover twice that of IBM and the deal makes Race one of the leading players in the field of printed circuit boards.

Gooding has had his downs as well as ups, however, on the way to his present wealth. He began life as a roofer in the South Wales Valleys and made his fortune by convincing a sceptical building trade that steel lintels – the bars that take the weight off doors – were a perfectly reliable and cheaper alternative to concrete.

After selling out to RTZ for £15m, and pledging to stay out of the building industry for three years, he bought a ragbag of companies, one of which turned out to be Race. At the time, it sold 90 per cent of its output to Acorn.

Not long afterwards he watched the bottom fall out of Acorn's home computer market and he faced heavy losses. Everything came under the spotlight in the search for economies – everything, that is, except his beloved Bentley. "My customers wouldn't have thought much of me," he says, "if they thought I was so hard pressed I had to sell the Bentley."

Gooding, never a man to hide his light under a bushel, describes his success as "bloody marvellous". He has now decided to change his style of address from the Alf, by which everybody knows him. In future, he will be known as Alfred.

Talking dog

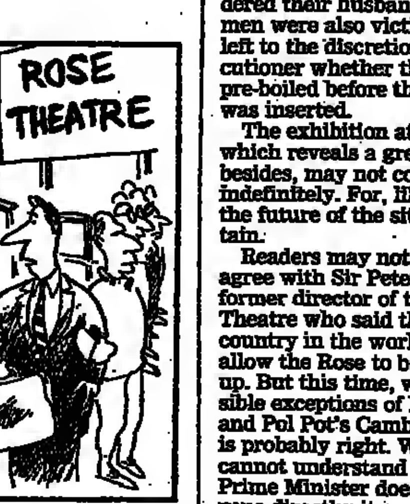
■ Dog stories are in east of Berlin. For instance, a Russian asks his dog what he thinks of perestroika and tha dog replies: "My lead is twice as long as it used to be. My food bowl is half as full. But I can still bark."

Strike happy

■ It must heve been the weather. For the strikes on the London Underground and bus routes yesterday seemed to leave everyone in an astonishingly good temper. True, the roads in central London were quite busy in the morning, but not unbearably so. And because people set off earlier than usual, some of them arrived early. Those who were late knew that they had a good excuse. The result was they did not try to hurry, drive badly or get cross. Some of the walkers stopped for a rest in the parks or a coffee. Others were proud of their timing: two hours from Earls Court to Southwark Bridge, said a colleague. By lunchtime the streets were pretty clear: you can walk a long way in London in 20 minutes and doing it without having to dodge too many buses and cars is a pleasant experience.

The thought of going home as the weather begins to darken is slightly more daunting, but my impression is that a lot of people rather enjoyed surviving the one day strike. If it had been raining, it would have been quite different.

There was, however, at least one motorist trying to bluff the traffic wardens. On the windscreen of a small Fiat, parked on a yellow line, a sign fluttered optimistically. "Docter on call," it read.



You mean this isn't a bus queue?"

Bad King Henry

■ We spent the afternoon in The Clink – "the prison that gave its name to all the others" – and a very rewarding experience it turned out to be.

The Clink is on one side of the new Financial Times building; the Rose Theatre, which may have had a stay in its demolition, is on the other. Clearly they have a great deal in common. Indeed they are the products of the same society. You can walk across from the bawdy of the Rose to the bawdy of the prison.

One fact that I did not know until I visited the Clink is that in 1530 Henry VIII, said by some to have been a great English nationalist, legalised boiling in oil. That was ostensibly for women who had murdered their husbands, though men were also victims. It was left to the discretion of the executioner whether the oil was pre-boiled before the victim was inserted.

The exhibition at The Clink, which reveals a great deal else besides, may not continue indefinitely. For, like the Rose, the future of the site is uncertain.

Readers may not always agree with Sir Peter Hall, the former director of the National Theatre who said that no other country in the world would allow the Rose to be covered up. But this time, with the possible exceptions of Romania and Pol Pot's Cambodia, he is probably right. What one cannot understand is why the Prime Minister does not intervene directly; it would do her a great deal of political good.

Not welcome

■ British pharmaceutical companies are running into problems with their advertising. Beecham was recently obliged to take down an illuminated sign which for many years had adorned one of its head-office buildings in west London. It said: "LUCOZADE AIDS RECOVERY". The middle word is no longer thought suitable.

Now Wellcome, another UK medicines group, has removed a neon sign above its German head office, near Hanover. It said simply: "Wellcome". Too many motorists thought it was a hotel and sought to stay the night.

Sharp note

■ Sign in a Berkshire garden centre: "It's not too late to have your lawn-mower sharpened, ready for borrowing."

LETTERS

'Is it possible at Heathrow?'

From Mr John Cox.

Sir, Decisions about an additional runway in the south-east of England are difficult and bound to be controversial ("Airports expansion still grounded," May 4).

BAA's full-page advertisement (May 9) gives itself credit for accurate forecasting and creating available capacity at Stansted.

Forcing traffic to Stansted because capacity elsewhere is unavailable may satisfy BAA's corporate profit requirements – but no one else. If there is ever to be another runway in the south-east, let us have it now, at one of the obvious locations of desperate need.

In its consultative document (CAP 548), the Civil Aviation Authority (CAA) predicts that by the year 2000, 13m passengers who will wish to use Heathrow will be denied the opportunity. For users, Heathrow is the most attractive airport for feeder flights from the regions.

Meeting the Government's objective of a multi-airline competitive industry will best be achieved by providing real competition to British Airways at Heathrow.

Launching the consultative document, CAA said that from an air traffic control point of view, concentration of air transport movements at one airport location (Heathrow was quoted) is better than having to guide the same number of movements to and from several dispersed airports.

So is it possible at Heathrow? Without further upsetting local opponents, probably not. But will an additional runway be located anywhere without upsetting a lot of people?

Charles de Gaulle at Paris is developing into a five-runway, 90m-passengers-per-year airport, poised to capture world premier international status from the UK (Heathrow). If additional capacity is not provided where it is demanded, the effect will be reduced effectiveness of exporting UK businessmen, along with desertion of foreign investors – and buyers for our exports.

John Cox,
Air Transport Users Committee,
Kingsway House,
103 Kingsway, WC2

From Mr A.J. Lucking.

Sir, Rachel Johnson (May 12) highlights the central problem caused by the badly planned privatisation of BAA, formerly the British Airports Authority. In 1987-1988 the huge airport assets made operating losses everywhere except Glasgow and Edinburgh.

Yet the company is regarded now as a property developer, and so is required to make a return of between 27 per cent and 30 per cent – *inter alia* by selling off land at Heathrow.

This nonsense will do huge damage to the UK. BAA is representing Stansted, with its low land values, as a substitute for Heathrow, the nation's business hub (probably the most important place in Britain). Yet many foreign buyers spurn the trains from Gatwick, and they would have a prolonged, expensive taxi journey from Stansted. Most south-eastern businessmen live nearer to Weybridge, as Sir Norman Payne himself pointed out in his evidence to the House of Commons Transport Committee.

And often the minor regional services, which that committee proposes to banish to rural Essex, carry mainly business passengers, with up to 80 per cent of total traffic on the shorter routes needing a full range of interlocking possibilities. (Probably the committee misled itself by looking only at the 30 per cent national average.)

We need a root and branch reorganisation now if the nation's air transport system is to do its duty from 1993 onwards. "BAA properties" should divest the airports to bond-financed public utilities, and the Government should emulate the political courage shown recently by the Australians in expanding Sydney's Mascot airport.

UK Government ministers have said that it is "politically impossible" to expand Heathrow. They must think again. And at the same time they must open up Glasgow to long-haul flights.

A.J. Lucking,
Flat 24,
17 Broad Court,
Bow Street, WC2

Green could match with public health policy

From Mr Tim Lang.

Sir, I was surprised to read in your leader ("Green Politics Can Hurt," May 4) that "... much of the diet which Europeans are used to may prove incompatible with any serious attempt to implement 'green' policies." On what do you base this assertion?

First, the European diet is far from homogeneous. Are you referring to Britain's unnecessarily highly processed diet – a key factor in achieving the dubious distinction of 170,000 preventable deaths from coronary heart disease each year? Or are you referring to the southern European diet, high in fresh fruit and vegetables and low in saturated fats? Policy changes should try to tackle environmental and public health problems simultaneously.

Second, you stated that farmers' livelihoods are "... threatened by proposed limits on the use of fertilisers." On the contrary, it is the over-production treadmill, dependent on unnecessary fertiliser use, which is threatening livelihoods by intensifying production and shedding farmers in the process.

Equally important, there is growing concern about the impact on consumers' health of ingesting unnecessary nitrate residues in food and drink. Nitrate fertilisers are a key factor in over-production. Some European countries have wisely imposed residue limits on foods such as infant foods, lettuce and spinach.

Third, pesticide residues are increasingly – and deservedly – under fire. Reviewing the 426 pesticide ingredients approved by the Ministry of Agriculture, Fisheries and Food (MAFF), the London Food Commission found that no fewer than 164 have suspected or known links with adverse reproductive effects, cancer, genetic damage/irritations.

MAFF appears to be giving the benefit of the doubt to agrochemical and producer interests. Why not to consumers and public health?

Rather than sniping at green policies, should we not examine their implications objectively?

Tim Lang,
The London Food Commission,
88 Old Street, EC1

Residential realism

From Mr A.J. Clayton.

Sir, Surely, the problem is not so much a fall in house prices as the absence of a market where a vendor can find a buyer and be sure of completing a sale?

In true markets, one can buy or sell a product/commodity/financial instrument at an agreed, committed price for immediate or short-term settlement in a recognised currency. In residential property such a market does not normally exist. A vendor may find a buyer at a price agreeable to both, but confirmation of the terms (exchange of contracts) can be delayed for weeks or months – or never achieved.

It is an anachronism that we continue to trade properties in such a haphazard way.

There is always a percentage of people wishing or needing to change properties; without a true market they are often frustrated. A proper market must be established – both vendor and purchaser entering into a formal commitment within a short time scale. Residential properties could then be traded at realistic prices.

A.J. Clayton,
41 St Catharine's Road,
Broxbourne, Hertfordshire

Unto the breach, dear friends

From Professor John Orrell and Mr Theo Crosby.

Sir, The threatened mauling of the Rose theatre foundations, within sight of your own windows in Southwark, seems an odd thing for a commercial city to do.

Bankside was the "Shaftesbury Avenue" (theatre district) of Elizabethan London: home of the Globe theatre, the Beargardens, and the Swan theatre as well as the Rose. Mr Sam Wanamaker's reconstruction of Shakespeare's Globe is already under way, just round the corner from the Rose site. Across the road from the Rose the foundations of the original Globe await resurrection this summer, and one day the Beargardens may also be excavated – all within a space of 200 yards.

The Rose site by itself is a place of national importance. In association with the newly reconstructed Globe, the whole group of archaeological sites – the Rose, Beargardens and original Globe – will make a powerful commercial magnet worth more to London and the world than another office block.

John Orrell,
Theo Crosby,
165 Chatsworth Court,
Pembroke Road, W8

Esprit de corps

From Mr S.J.E. Turner.

Sir, In about 1961, as a young staff officer, I had a conversation with General Bobby Edel, who then commanded the French Airborne Forces. He remarked to the effect that when Napoleon re-numbered the French army it lost an *esprit de corps* it can never regain, and that if Britain were so foolish as to do the same, it would be a tragedy.

Sadly, since then we have already gone some way down that path. I hope that the recent National Audit Office report, which recommends a review of British army regimental structure (FT report, May 10), will not endanger our regimental traditions further.

S.J.E. Turner,
Willow Holt,
Folkingham,
Sleaford, Lincolnshire

Pretty penny

From Mr John Fay.

Sir, I have just received a certificate for some ordinary shares of one pence each fully paid. What has happened to the good old British penny?

John Fay,
Pickett Witch House,
100 Ilchester Road,
Yeovil, Somerset

The pension scheme that gives real value to new employees

From Mr Martin Paterson.

Sir, Discussing the survey of reactions to the new pensions climate published by R. Watson, ("Back on the tightrope," May 4), you report that company schemes are being hit by apparent lack of new employee interest. The survey shows that in some companies as much as 50 per cent of new employees are not joining the scheme.

Nobody should be surprised. Most companies have been very successful in persuading existing members to resist the attraction of personal pensions. In final salary schemes, with relatively high rates of member contributions, the outcome says much about the powers of persuasion used.

However, it has been clear all along that while thesa might work with existing members, the real test would come in convincing new employees that they should join company schemes. To achieve this, surely what is needed is not another communications exercise – which, if all the facts are truly presented, might have the opposite effect to that intended – but a revision of the schemes themselves?

Most people agree thet the ultimate purpose of a pension plan is to replace income in retirement. Thus it is true that a suitable plan objective is to base pension on final salary for each year of service. However, the full valua of benefit expressed in that form is contingent on staying the course.

For someone leaving early, final salary is not achieved and the benefit is diminished. It also looks out of place. This is because nowadaya nearly every leaver takes a capital sum instead of a deferred pension. So employees look for capital as e measure of benefit value. But if the benefit is expressed as a deferred pension, its cash valne has to be calculated by an actuary, using assumptions they may not understand.

The conclusion is surely that, in the current environment, contributory final salary plans will never be attractive to younger people unless they include capital accumulation as the principal, or alternative, measure of value.

This can be done by investing contributions for each member, of an amount representing the present value of a target final salary pansion, with a minimum benefit guarantee for the security of longer serving members, if required. If employers want employees to appreciate the value of scheme membership, they will be well advised to give them visible evidence of this in the form of capital accounts in their name.

Martin Paterson,
Buck Paterson Consultants,
10 Buckingham Place, SW1

Software 'patentability'

From Mr Trevor Cook.

Sir, You recently reported (April 26) on the Court of Appeal judgment refusing Merrill Lynch's application to *patent a computer* system for programmed trading.

Some of the commentary on the decision reported in that article (and, subsequently, elsewhere) may have given the impression that the decision is adverse to the protection of computer software by patents.

The reason the Merrill Lynch epplication failed was because it related to a method of doing business and not because the means for achieving it made use of a computer program.

The Court of Appeal judgment *specifically* states that "a data processing system operating to produce a novel technical result would normally be patentable."

For example, true industrial applications such as a computer program to control a chemical process, or to analyse geological data, should be patentable under that formulation of the law, provided they confer a technical advance on what there has been before.

In contrast, business procedures have never been a proper subject for patents, and it is curious to suggest that just because they can now be performed by computer systems, it is right that someone can obtain a monopoly over them by patenting the software which achieves this.

Because of this wider issue the Merrill Lynch application is far from being an ideal "test case" for the patentability of computer software, but it is important to recognise that what the Court of Appeal judgment does say about this issue is favourable to the principle of making patent protection available for computer programs, and so should, in fact, be welcomed by the software industry.

Trevor M. Cook,
2 Gray's Inn Square, WC1

Accounting for pensions

From Mr Stuart Southall.

Sir, Richard Waters' article on the new accounting standard on pensions (May 11) should be compulsory reading. The standard is indeed a more acceptable means of "conjuring up assets" than brand revaluation. The flexibility begins with the choice of actuarial method and assumptions.

Because the assumptions are so long term, positioning within the allowable spectrum can have a dramatic effect on the quantum of surplus (or deficiency). Surplus can be inflated still further by making no (or limited) allowance for post-retirement pension increases which are discretionary in nature, but which are funded for in advance. Such an approach is not recommended, but it is permissible.

Having established the surplus (or deficiency) there are a number of ways this may be amortised. But one needs first to determine the period of amortisation. This can be manipulated by the choice of turnover assumption, and also hy the actuary's choice of weightings in calculating the average service lifetime of employees. This is normally in the range 10 to 15 years. But the average service lifetime of a finance director is shorter, so there might be a real temptation to try to accelerate the impact of any surplus.

Adopting the standard will tend to highlight the potential conflict of interest inherent in all final-salary schemes. The employer will be seeking a "best estimate" actuarial basis to satisfy the standard. The trustees, concerned with the security of member's benefits, may naturally prefer a more conservative actuarial basis for funding purposes.

In practice, I believe actuarial input will be needed to interpret much of the information.

Stuart Southall,
Punter Southall Kerr,
1 New Bond Street, W1

FOREIGN AFFAIRS

Why all this fuss about the SNF

Nato should not be preoccupied with short-range nuclear forces, writes **Edward Mortimer**

What is wrong with Nato? Everyone seems to agree there are more important issues to discuss at the summit in Brussels in two weeks' time than the future of short-range nuclear forces (SNF) in Europe. Yet it seems increasingly certain that that issue will dominate the talks.

And what is wrong with the Russians? We have got used in the last few years to thinking of them as people of great suavity and diplomatic finesse. Why are they risking the goodwill so carefully huilt up, by huffing and puffing to stop Nato doing something which it appears unable or unwilling to do in any case?

The argument over SNF comes in two stages: "modernisation" and negotiation. "Modernisation," as most people interested in the subject are by now aware, is a euphemism. It includes replacing the Lance missile (maximum range 120 km) with an entirely new weapon with a range four times as great. Nato'a military commanders, supported hy the British and US Governments, are keen to do this. Lance, it aeems, will be "ohsolete" by 1995.

What exectly makes a weapon obsolete? The layman might fondly imagine that a weapon properly maintained *and never used should remain* indefinitely in perfect working order, like a 1910 Rolls-Royce. Ah, you say, but a 1910 Rolls-Royce wonld be overtaken by snappier vehicles of more modern design. But, for that analogy to hold, we surely have to make some assumptions ahout the "modernisation" of defences on the other side. Are these assumptions not affected by political developments in the Soviet Union? Might they not be modified hy negotiation? Indeed, was that not precisely the object, at the strategic level, of the anti-bal*listic missile treaty?*

Never mind. For the purposes of the present argument everyone accepts that the magic moment of obsolescence – let's call it O-day – will arrive in or around 1995. Well, actually the Americans say they *could* prolong Lance's useful life for another five years, hut it would cost even more than the replacement. They want the go-ahead to start developing the replacement now, so as to have it ready by 1995. And, so the argument went until last month, they cannot get Congress to vote the money unless there is a definite statement from Nato that the replacement will be required.

But the West Germans were not willing to make such a statement. To do so would "send the wrong signal," arguad Mr Hans-Dietrich Genscher, the Foreign Minister. What sort of response to all Mr Gorbachev's initiatives would it be for Nato to announce its decision to deploy a new weapon, especially one that looks suspiciously like a hreach of the spirit of the INF treaty? (That treaty banned all land-based nuclear missiles in Europe with a range between 500 km and 5,500 km. The proposed new missile would have a range of 480 km or 485 km.) *And in any case, where was* the urgency?

In the present international climate, that last argument proved conclnsive. This is indeed a time, as Oxford'a Regius Professor of Modern History, Sir Michael Howard – a brain sadly about to be *drained across the Atlantic* – put it, in his valedictory lecture at Chatham House last week, "for at least pausing in our frenetic efforts to close every chink of opportunity that might be exploited by an optimistic Soviet High Command backed by an adventuristic govarnment prepared to play for grotesquely high stakes." He proceeded to dot the i: "Western defences will not be seriously weakened, Soviet adventurism will not be seriously encouraged, if we take our time about replacing the existing Lance missile with one of greatly extended range."

It was already pretty clear that West German objections along these lines would carry the day when Mr Gorbachev visited London at the beginning of April, and therefore slightly surprising that he felt it necessary to warn us, in his Guildhall speech, that "modernisation," if it went ahead, would have a negative effect on the Vienna talks on Conventional Forces in Europe. But it was mnch more surprising that Mr Sheverdnadze should have chosen to return to the subject in Bonn last Saturday, this time threatening to halt the destruction of Soviet SS-23 missiles if Nato went ahead with its new weapon. Lance II (or whatever it will be called) may not be fully in keeping with the spirit, but the destruction of the SS-23s is unambiguously prescribed by the letter, of the INF Treaty – as Mr Shevardnadze, who spent many hours negotiating it, should know hetter than anyone. If many hours are spent negotiating treaties clause by clause and often word by word, it is precisely hecanse it is the letter that counts. *Pacta sunt servanda*, as Mr Gorbachev himself is fond of saying.

One almost wonders whether Mr Gorbachev is trying to reunify Nato, rather than divide it

But what is particularly odd about Mr Shevardnadze's statement is that he is virtually banging on an open door. It was already decided last month, much to the chagrin of the British Government, that the Nato summit would not attempt to take a decision on replacing Lance hut would content itself with a bland assertion of the need to keep Nato's nnclear forces "up to dete"; and though in theory that only means the decision has been postponed there is no reason to think the West German Government will find it easier to take next year, or indeed any time between now and 1995, unless the Soviet Union begins to look threatening again. One almost wonders whether Mr Gorbachev, instead of seeking to divide Nato as is often alleged, is actnally issuing these threats in an attempt to reunify it.

Meanwhile Nato has moved on, thanks to West German impatience, to the "negotiation" stage of the argument. Not only should we not modernise our SNF, the Germans say; we should atart negotiating the reduction of SNF to "minimal ceilings" for both Nato and the Warsaw Pact.

They will probably not win this argument, at least in the short term, because this time it is they who are demanding something positive, and Neto, which takes its decisions hy consensus, will inevitably opt for inaction rather than action whenever there is a serious dispute. And on this issue there certainly is a serious dispute. Britain is opposed to any negotiations on SNF, ever, and America is certainly not ready for them.

In the longer term Britain is in danger of losing the argument because it does not sound good politically to exclude any category of weapons from the arms control process. But Sir Michael, in his Chatham House lecture, offered an argument which might perhaps carry some weight with those who are at present demanding negotiations. "At present," he pointed out, "arms control negotiations are very largely used as an excuse for retaining weapons, for which we have no possible military need, as 'bargaining chips.' If it were not for the arms-control process we could dispose of the balance of our redundant nuclear warheads in Europe, which still run into thousands, without waiting for 'modernisation' of the *Lance missiles.*"

The presence of armed forces, he added, (but the argument applies also to weapons), "does not in itself prevent a gradual osmosis between East and West Europe: indeed it provides the kind of security . . . that makes such osmosis possihle . . . Our object should be not directly any reciprocal withdrawal of forces . . . but the creation of a relationship which would gradually make the presence of such forces anachronistic and unnecessary." The Germans have already shown themselves very good at that. It is not fully clear why they think arms control negotiations, particularly on SNF, should be an indispensable part of the process.

FINANCIAL TIMES
Tuesday May 16 1989

Japanese travellers feel the pinch

A tourist boom has put pressure on airlines, writes Ian Rodger

THE SUDDENLY affluent people of Japan have just struggled through their main annual holiday season, smarting with irritation at an increasing lack of space on international airlines. They are likely to continue hollering in protest for a long time.

"We are already in a panic," says an official at All Nippon Airways, Japan's second largest carrier. "Complaints from customers are growing, and there is nothing we can do but wait."

Demand for overseas travel among the Japanese is growing so rapidly that there is little chance that the supply of pilots, aeroplanes and airports can catch up for several years. Not only would-be tourists but also businessmen are being affected. Travel agents in Tokyo say it has become increasingly difficult to book seats to and from Japan on short notice. The most crowded routes are all from Tokyo – to London, New York, Hawaii, Australia and Hong Kong.

Even when a traveller has a ticket, it can take him a long time to get through check-in procedures at the country's increasingly crowded airports. Tokyo's Narita is the worst, with many airlines asking passengers to arrive more than two hours before departure.

The situation is filled with ironies. The Japanese Government has been frantically urging people to go abroad in the hope that, if enough do, the country's embarrassing current account surpluses will be reduced. Now more and more people want to travel abroad, not least because it is one of the few ways they can get value for their mighty yen, but many will not be able to. Meanwhile, foreign governments have been badgering the Japanese to lower international airfares. They are now doing so, but that will merely exacerbate the shortage of seats in the medium term.

According to the Japan Tourist Bureau (JTB), the number of Japanese travelling abroad has risen from 6.8m in 1986 to 8.4m in 1988 and could reach 10m this year. That would still mean that fewer than one in 10 Japanese leave the country even once a year, which is why analysts still believe that the potential for growth is immense.

On the supply side, the total number of seats available on flights leaving Japan is about 17m a year. That sounds like a lot, but experts point out that most of the spare capacity tends to be on flights which are not popular – to Moscow, for instance – and in the off season. "For tours to Europe, flights are full for six months of the year," a JTB official said.

The potential for expansion of capacity for handling more outward flights is bleak. Japan's three main airlines have committed nearly Y2,000bn ($15bn) for orders of more than 140 new aeroplanes. However, because of the current rush of orders for new aircraft by airlines all over the world, deliveries will not be completed until 1995. Even if they could get the aeroplanes, it is not certain they could find the crews to fly them.

All the airlines have been taken by surprise by the sudden growth of demand. Japan Air Lines, the leading carrier, was recruiting only 15 pilot trainees a year up until two years ago. This year it is hiring 70, but the training period is more than two years so the benefit is some time away. In the meantime, many existing pilots will have to be taken out of action later this year to train for the Boeing 747-400 aircraft due to be introduced next year.

The worst problem is the lack of airport capacity in the two great population concentration areas, Tokyo and Osaka. In Osaka, there is only one airport for both domestic and international flights. It is located in the middle of a densely populated area and so curfews are strict. It has been operating at capacity for several years, with a long backlog of demands from both foreign and national airlines for permission to operate more flights. Relief will come only in 1993 when the new Kansai International Airport, which is being built on a manmade island in Osaka Bay, is scheduled to be completed.

In Tokyo, international flights are restricted to Narita airport which, even though it was built only 15 years ago, is already operating at the limit allowed. Even though the airport is deep in the Chiba countryside, the limit, imposed as a result of opposition from farmers and environmentalists, is very severe, allowing only 340 landings and takeoffs a day between 7am and 11pm.

Some 40 airlines have applied for more slots. ANA recently managed to find five slots so it could run a daily service to Seoul – a very crowded route these days – but each one is at a different time of day, playing havoc with the airline's equipment scheduling.

Meanwhile, a planned expansion of Narita, which has only one runway, has been postponed indefinitely because of delays in expropriating land. All the members of the Chiba expropriation board have resigned following harrassment from environmental groups, and the government is having difficulty replacing them.

Given this situation, the Japanese authorities and the airlines are resorting to stopgap measures to alleviate the pressure. Last week, the daily limit of movements at Narita was raised by 10 flights a day. Airline industry officials say it could be increased by another 20 per cent or so even within the curfew if the authorities would allow it and if terminal facilities and traffic control arrangements were improved. The Government is also floating the idea of opening regional airports to more international traffic, and encouraging foreign airlines to use them.

JAL, as the country's main international carrier, has taken the initiative in creating more seats in the near term, and others will probably have to follow its lead. It has raised the frequency of both scheduled and charter flights from regional airports, particularly Nagoya and Kagoshima, and it has shifted cargo flights from Narita to Nagoya so that Narita slots can be used for passenger flights.

It is also starting joint services with foreign airlines, such as Canadian International, which have spare capacity on some routes, and it is pulling out business class seats on some aircraft in favour of more economy seats even though the profit on economy seats is low.

Despite these measures, most popular routes out of Japan are likely to be very crowded for the next few months. One exception may be the London-Tokyo route, thanks to a significant increase in flight frequencies agreed between the UK and Japanese governments last year.

Both JAL and British Airways have just increased their flights and ANA and Britain's Virgin Airlines are due to start up in the next two months. "We should be able to cope this summer, but after that we are going to have to find other ways of dealing with the growth," one British airline official said.

Developers postpone final curtain at Rose theatre

By Richard Donkin and Ivor Owen in London

OFFICE DEVELOPMENT on the site of a Shakespearean theatre - the Rose - next to the Thames in London has been suspended for up to a month to allow architects time to investigate proposals to preserve the historic site, the UK Government announced yesterday.

This postponement came as the climax of a day of drama which started as a powerful cast, starring leading actors including Dame Peggy Ashcroft and Mr Ian McKellen, stepped into the breach between the excavated theatre remains - where Shakespeare is believed to have performed - and lorry loads of sand.

The developer, Imry Merchant, wants to build a 10-storey office block on the site.

The impasse lasted all morning. The developers agreed to keep their sand lorries back as a junior minister in the Department of Environment embarked on four hours of talks with architects, planners and English Heritage, in an attempt to find a way of saving the theatre, which was believed to have been built in 1587.

Mr McKellen, using a makeshift stage erected outside the site and sporting a tee shirt emblazoned with a picture of Shakespeare and the words "Will power", said after the announcement: "The battle may be in respite but it's not yet been run. Our determination is going to have to continue."

The protesters' minimum demands, he said, were that "the site should not be covered with some sand and gravel, it should not have any piling through it and it should be preserved with access for the public."

Prince Charles and Prince Edward, he said, had sent their support.

Others who turned up included Patrick Stewart, currently playing Captain Kirk in a new series of Star Trek. He beamed down at 5.30am and stayed most of the day.

Mr Simon Jenkins, deputy chairman of English Heritage, a government funded body which protects historic buildings and monuments, announced at the Thameside site that a further meeting was to be held with the developers next week.

The architects, R Seifert and Partners, he said, were working round the clock to examine ways to construct a roof over the site.

In the meantime the temporary awning removed at the weekend would be put back and public money, believed to be up to £1m ($1.63m), had been found to "cover the delay."

Though a stay of execution was announced the Government made no promises about the final outcome.

Mr Nicholas Ridley, the Environment Secretary, made it clear in the House of Commons that any scheme for publicly displaying the remains of the theatre must be financed by public subscription and not by the taxpayer.

He would not authorise expenditure, he said, beyond the sum needed to recompense Imry for agreeing to delay work.

Mr Ridley said it was only in the "last two or three days" that the archaeological work on the site, financed by Imry, had established that the remains were of greater importance than was previously thought.

He suggested that in view of the "fragility" of the remains preservation might best be achieved by having "a solid roof over them."

Love's labours had not been lost at the end of the day but since it would be premature to say All's Well that Ends Well the actors pledged to maintain a vigil tomorrow and tomorrow and tomorrow if necessary – though no one mentioned the Scottish play.

The blight of the Rose, Page 11

THE LEX COLUMN

The dollar enjoys a European holiday

The world's central banks must be hoping that yesterday's surge in the value of the US dollar will blow off much of the speculative froth which has propelled the currency to its highest level in nearly 2½ years. With most of Europe's financial community on holiday yesterday, the latest jump in the dollar may well be an aberration, but if it continues to rise unchecked the authorities will be forced to take some drastic action and this could well deflate the current happy mood of the financial markets.

Since President Bush was elected last November, the dollar has risen by 13 per cent against both the D-Mark and the Yen. Over the same period, the US trade deficit has shown no sign of improvement, short-term US interest rates have hardly budged – although the West Germans have raised their rates by more than a third – and no progress has been made in resolving the US budget deficit. However, sentiment towards the dollar has changed markedly and its move above the DM1.92 level yesterday triggered a lot of stop/loss buying by investors, which probably explains why the central banks only put up token resistance.

As the recent rerating of the dollar has little to do with the day-to-day economic numbers coming out of US economy, it is well nigh impossible to judge when the recent huge flow of funds into the dollar will start to subside. The easiest solution would be for the dollar to stabilise of its own accord, but given the foreign exchange markets propensity to overshoot on the way up as well as the way down, this could be wishful thinking.

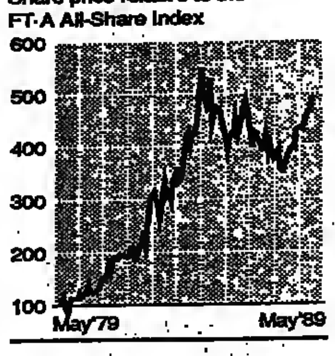
It is beginning to look increasingly likely that US interest rates will have to come down or interest rates elsewhere will have to rise, if the dollar's rally is to be stemmed. The equity markets are clearly betting on the former happening, and while the Tokyo has probably already discounted a rise in the Bank of Japan's discount rate, a further panic rise in West German interest rates would be bad both for European equities and, more particularly, sterling.

Market makers

The Elwes committee's suggestions on performance criteria for market makers look suspiciously like the big boys closing ranks. While a perfectly good case can be made for the proposed moves in terms of quality of markets, visibility and all that, the real motivation must be to put the pressure on those players without the client bases whose value added to the market place is doubtful. As market forces have been working painfully slowly in forcing the fringe players to shut up shop, it now seems that the Stock Exchange is going to give the laggards some encouragement.

Hanson

Share price relative to the FT-A All-Share Index



Hanson

The mission statement from Hanson Trust yesterday makes clear that the acquisitive ambitions of Lord Hanson are in tact, even after an eighteen month pause. However, it makes equally clear that while the prices of companies remain so high, it will remain a seller rather than a buyer. That should not worry its shareholders unduly: in such a bad market for acquisitions, the biggest acquirer of them all could hardly be better placed for a very long rest.

Yesterday's half year results show organic growth of a nice steady 10 per cent; topped up by the high return on its cash balances of over £4bn and rising. Should market conditions suddenly turn - the slowdown in the pace of buyouts in the first quarter may be a straw in the wind - Hanson can move quickly. If it does not, the company's unfashionable refusal to commit itself to "core businesses" leaves plenty of room for more big disposals. The shares, which have had a 30 per cent re-rating in the past year, are still on a slightly sub-market multiple, suggesting a degree of caution remains. The future depends on whether Hanson will spend the money sensibly; the market is wise for now not to bet too heavily on that.

Meanwhile, any disappointment yesterday at forecast dividend increase of "only" 25 per cent was misplaced. The market has become fixated with the 10 per cent convertible, and had hoped for a bigger dividend to encourage holders to convert next February. Even if they do not do so, Hanson need not worry - unless it plans to buy BP or ICI by then.

BICC

The BICC management is so well regarded that it had little trouble convincing the City yesterday of the wisdom of paying over 30 times earnings for a US company with a patchy earnings record. Its story was plausible enough: Brintec is in a fast growing part of the US cable market in which BICC is thinly represented, and there is much scope for margin improvement of the type already squeezed out of the company's recent acquisitions in US and in Europe.

Regardless of whether the Brintec deal proves a success, the company's stockmarket rating is looking increasingly odd. During the last year the shares have outperformed by 40 per cent on the strengths of its exposure to infrastructure spending. But when the contracting and construction sector is on an average p/e of about 8, it is not clear that BICC deserves nearly 4 points extra. The cable side of its business may be well run, but with underlying growth of, say 8 per cent, it is not really the sort of activity that suggests a market premium.

News Corporation

At first sight a 13 per cent drop in News Corporation's third quarter net income and a two thirds jump in the quarterly interest charge to A$279m, is not the sort of news to justify the recent significant rerating in the group's shares. However, the group's gearing should be back to normal by the summer and the planned sale of the travel and electronic publishing business to Reed demonstrates the sorts of values which are tucked away in News' balance sheet. A prospective multiple of less than 9 times earnings reflects the market's continuing scepticism about the wisdom of Mr Murdoch's foray into TV in the US and now Europe. But provided Mr Murdoch can shuffle more of his debt into Media Partners International, News shares deserve a higher rating.

London market makers face new code

By Norma Cohen

LONDON stock exchange market makers will have to meet extensive performance criteria in order to maintain their status under proposals to be put to the Exchange's ruling Council next week.

The criteria, outlined in a draft report from a six-member sub-committee chaired by Mr Nigel Elwes of S.G. Warburg, will be discussed at a special Council meeting on May 22. Member firms will then be given until July 24 to comment.

Market makers undertake to maintain competitive buying and selling prices in shares and to display their quotations on the Exchange's automated quotation system, Seaq. In return, they have access to stock borrowing facilities, freedom from stamp duty on long positions, and trading accounts on the Exchange's Talisman computer-based settlements system.

The new performance criteria could have the effect of further reducing the number of equity market makers on the Exchange. Fierce competition and over-capacity has reduced the number to 27 from 35 at the market's peak, and many of those left face heavy losses.

The proposals outline broad measurements which will be monitored and enforced by the Exchange. Key elements are:

- The percentage of business with a firm's customers which is carried out at the price displayed on Seaq screens, and the proportion of this business carried out at the best bid and best offered prices available in the market.
- The size of deals firms are prepared to do at the prices quoted on Seaq.
- The ratio of business done directly with clients compared with that done with other stockbrokers, and of business done via inter-dealer brokers.
- The amount of time the market maker is showing the best bid/offered price available in a given stock, and the ratio of the market maker's average spread in a given stock to that of the average of other market makers in that same stock.

Concern over market makers' losses prompted the Stock Exchange to adopt reforms last December, proposed by Mr Elwes' committee, that removed the requirement for market makers to deal directly with each other. The Exchange also lifted the requirement to publish transactions of over £100,000 until the following business day, provoking a storm of protest from firms who believed the moves would reduce transparency.

It is understood that the previous reforms will not be undone.

However, the report proposes further changes including a trial of a system known as Close, under which market makers would see quotations on screens available only to them for 10 minutes. If no market maker took up an offer to deal at the displayed price and volume, the offer would be made more widely available.

The report also suggests abolishing the current market definitions of alpha, beta and gamma stocks, replacing them with a new system that takes into account trading patterns and stock liquidity.

Ligachev accuser triumphs in Soviet election

By Bruce Clark in Moscow

A CONTROVERSIAL prosecutor who has openly linked the name of Mr Yegor Ligachev, the Kremlin's leading conservative, with his investigations into corruption has triumphed in the run-off elections for the new Soviet parliament.

Mr Nikolai Ivanov's score of more than 60 per cent in the Leningrad city-wide poll was the most sensational result to emerge from Sunday's ballots, which were held in the 200 constituencies where no candidate won the 50 per cent necessary to be elected outright in the March 26 poll.

Mr Ivanov astonished television viewers last week by saying that Mr Ligachev had been "named" in a corruption investigation. Both he and his fellow prosecutor, Mr Telman Gdlyan, are being "investigated" by a state commission, in what their supporters suspect is an attempt to neutralise them before they dig too hard into malpractices among senior officials.

The emerging radical group in the new 2,250-member Congress of People's Deputies took heart both from Mr Ivanov's triumph and from the easy victory in a Ukraine constituency of the reformist magazine editor, Mr Vitaly Korotich.

Under Mr Korotich's guidance, the weekly Ogonyok has reported with astonishing frankness on the state of the Soviet economy, abuses in the army and judicial failings.

The March parliamentary elections, the first in Soviet history to offer many voters a choice of candidates, produced a humiliating defeat for many old-guard politicians in Leningrad and the Ukraine.

Sunday's poll in Leningrad, in which 34 candidates presented themselves but six withdrew at the last minute (apparently to ease the way for Mr Ivanov), was made necessary because Mr Yuri Solovyev, the city's party chief, failed to win 50 per cent of the vote in March.

In the Kuntsevo suburb of Moscow, Col Alexander Kruskoy, an Afghan war veteran who has openly supported Mr Gdlyan, topped the poll with over 30 per cent of the vote, while the controversial playwright Mr Mikhail Shatrov came sixth, according to unofficial results, with 4 per cent.

Col Kruskoy will now face the second-placed candidate, a newspaper editor, in yet another runoff.

Among the most remarkable new faces in the parliament will be that of Mama Yusupov Mohammed Sadiq, the newly-appointed Mufti of Tashkent, Uzbekistan, who also won his run-off election this weekend in Tashkent. He is the first Moslem cleric in Soviet history to become a member of parliament.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	-	-	-	Dubrovnik	C	18	64	Malta	S	22	72	Rhodes	S	29	84
Algiers	S	23	73	Edinburgh	F	18	64	Manchester	C	14	57	Rio de J'o	F	24	75
Amsterdam	S	18	64	Faro	S	25	77	Manila	C	35	95	Rome	F	20	68
Athens	S	28	82	Florence	C	16	60	Melbourne	-	-	-	Salzburg	C	10	50
Bahrain	S	31	88	Frankfurt	C	18	64	Mexico City	F	26	79	San Francisco	S	18	64
Bangkok	R	32	90	Funchal	-	-	-	Miami	S	31	88	Seoul	S	20	68
Barcelona	S	20	68	Geneva	S	15	59	Milan	C	17	63	Singapore	T	28	73
Beirut	F	26	79	Gibraltar	S	21	70	Montreal	C	13	55	Stockholm	S	16	61
Belfast	F	17	63	Glasgow	F	16	61	Moscow	C	18	64	Strasbourg	F	18	64
Belgrade	C	17	63	Guernsey	S	15	59	Munich	C	12	54	Sydney	F	20	68
Berlin	S	18	64	Helsinki	F	15	59	Nairobi	R	23	73	Taipei	C	24	75
Biarritz	S	20	68	H. Kong	C	23	73	Naples	C	21	70	Tangier	S	24	75
Bombay	F	31	88	Innsbruck	C	09	48	Nassau	S	30	86	Tel Aviv	S	36	97
Bordeaux	S	21	70	Inverness	C	15	59	New Delhi	S	37	99	Tenerife	S	23	73
Brussels	F	19	66	Islamabad	F	39	102	New York	Fg	13	55	Tokyo	S	22	72
Budapest	F	19	66	Istanbul	S	27	81	Nice	S	20	68	Toronto	F	15	59
B. Aires	F	24	75	Jakarta	R	33	91	Nicosia	S	31	88	Tunis	F	23	73
Cairo	S	36	97	Jersey	S	19	66	Oporto	S	19	66	Valencia	S	22	72
Cape Town	S	18	64	Jo'burg	F	17	63	Oslo	F	16	61	Venice	R	14	57
Caracas	C	28	82	Lima	F	21	70	Paris	F	20	68	Vienna	C	15	59
Casablanca	-	-	-	Lisbon	S	22	72	Peking	S	28	82	Warsaw	S	17	63
Chicago	R	10	50	London	F	18	64	Prague	S	17	63	Washington	C	19	66
Cologne	S	20	68	Los Angeles	C	17	63	Reykjavik	F	05	41	Zurich	F	15	59
Copenhagen	S	17	63	Luxembourg	F	16	61								
Corfu	S	23	73	Madrid	S	22	72								
Dallas	F	24	75	Majorca	S	21	70								
Dublin	C	16	61	Malaga	S	21	70								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Peking students score propaganda win

Continued from Page 1

cess."

Outside in Tiananmen Square the students showed no sign of giving up their hunger strike, now 2½ days old. About 70 have been taken to hospital.

The square yesterday was littered with broken glass. This was not ordinary rubbish, but the result of smashing bottles in protest against Deng himself – a gesture no Chinese could mistake, for the name, Xiaoping, sounds the same as the Chinese for "small bottle."

The students maintain that China's leaders have made no real concession to their demands for freedom of the press and greater democracy.

Throughout yesterday, bands of supporters marched and cycled into the square, including a troop of teachers from Peking University. This follows a delegation of prominent intellectuals giving their tacit support to the students the previous night, a sign of growing support among the older generation.

The students have had a change of hero from the days of successful reform in 1984 when Deng was cheered in banners which read "How are you, Mr Deng." Yesterday the inscriptions said: "How are you, Mr Gorbachev?"

A banner in Russian, declaring "Democracy – our common dream," was stretched across the base of the Heroes' Monument where Mr Gorbachev was supposed to have laid a wreath today. Another proclaimed "Welcome to the initiator of Glasnost." But Mr Gorbachev saw none of this as he sped away from the back door.

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday May 16 1989

INSIDE

Trouble bubbles to a head

The spotlight is back on one of France's biggest and most bitter corporate battles. The Commission des Operations de Bourse, "gendarme" of the French stock market, is ready to release the findings of its long-awaited investigation into Moet Hennessy Louis Vuitton, the leading champagne, cognac and luxury products group. This report could clear the way for Bernard Arnault, chairman of LVMH, to consolidate his authority or it could offer a last-ditch opportunity for Henry Racamier, head of the Louis Vuitton clan, to check Arnault's thrust for power. Page 23

Bright boy from Idiot City

Tall, enthusiastic and slightly chubby, 44-year-old Hakan Mogren has spent his first year as president of Astra trying to push Sweden's biggest pharmaceutical company into the top rank of world drug businesses. He has hardly been helped in this by the company's location. For it is based in the unfashionable town of Södertälje, long famous as the site of a large mental asylum and known in Sweden as "Idiot City", writes Peter Marsh. Page 23

Land agents go huntin', shootin' and fishin'

Land agents have never been so busy, with some having twice as many farms for sale as usual. But, whereas the value of farms used to be governed by the quality of land and its suitability for growing good crops, the key factors now are more likely to be proximity to London and race courses, and the availability of fishing and shooting. Page 34

A tale of two cities

Economic indicators brought joy to the US and jitters to West Germany last week so that, while Wall Street rose 2 per cent compared with the previous week, Frankfurt fell by about the same amount. Page 46

And now for News Corp's news

Shares in News Corporation, international media group of Rupert Murdoch (left), surged higher on a strong Australian stock market yesterday, ahead of third-quarter results showing a continued improvement in trading profit and large extraordinary gains. This month's sale of the group's worldwide travel and electronic publish to Reed International brought in US$825m, a sum high enough to suggest an undervaluation of News's assets. Page 25

Market Statistics

Companies in this section

Chief price changes yesterday

NEW YORK ($)			TOKYO (Yen)		
Rises			**Rises**		
Cray Research	55½	+ 2¼	Fuji Kosan	610	+ 40
Gannett	7⅞	+ 1	Ind Somatship	1200	+ 100
IBM	112¾	+ 2	Kawasaki	1150	+ 70
Ogilvy Grp.	53¼	+ 4	**Falls**		
Goodyear	54¼	+ 4	Kind Food	1030	− 60
Falls			Japan Steel	1210	− 50
Hewlett-Packard	53¼	− 3⅝	Nippon Gas	1070	− 60

Frankfurt & Paris closed.

LONDON (Pence)					
Rises					
Anglo-East Pl.	98	+ 10	Rechem Envmtl.	586	+ 32
Body Shop	379	+ 15	Redland	582	+ 19
Capital Radio	858	+ 42	Security Grp.	445	+ 35
Dowty	278	+ 10	Tech Prd.Grp.	203	+ 15
Estates & Gen.	220	+ 7	WPP Grp.	614	+ 12
Eurotunnel	930	+ 41	Wyndham Grp.	305	+ 17
Low (Wm.)	259	+ 16	Willis Faber	237	+ 11
MIL Research	229	+ 19	**Falls**		
Mowlem (J)	433	+ 12	Budgens	110	− 36
REA Hldgs.	155	+ 24	Lyon & Lyon	290	− 15
RMC	791	+ 25	SAC Int.	194	− 7
Racal Elect.	484	+ 15	Vivat Hldgs.	67	− 8
Racal Telecom	423	+ 15			

Hanson increases profits 26% to £447m

By Nikki Tait in London

HANSON, the diversified conglomerate, yesterday unveiled a 25.6 per cent increase in first-half pre-tax profits to £447m ($748m), but played down suggestions that it might soon return to the acquisition trail.

Lord Hanson, group chairman, said the company still believed that there was a "worldwide sellers' market" for companies. "While very much expansion-minded, the time has not been right for us to make a major acquisition."

Some analysts felt that this message was underlined by the company's decision to declare an interim dividend of 2.5p (against 1.8p last time) and – unusually – to forecast a final dividend of 6.5p (5.8p). It was suggested that the figure might have been higher if Hanson wished to encourage early conversion on its convertible loan stock, thereby boosting shareholders' funds for the purposes of a major acquisition.

Nevertheless, the company reported that its total cash resources were now over £4bn, with the net figure topping £1.5bn following the Allders department store and duty free shops sale, completed yesterday.

Hanson said yesterday that the cash balance "produces a high-quality income stream less seasonal than the trading profit which it replaces." In trading profit terms, the company has been weighted towards the second half.

Disposals (mainly US) in the half year to end-March totalled over $750m and took in the likes of the Kidde Fire Protection business and the Durkee and Hygrade food companies. However, the company described the first half as "particularly busy" on this front and conceded that the rapid rate of recent sales might slow somewhat.

Operating results by division six months to March 31 1989

	Sales (£m)	% change*	Profit (£m)	% change*
UK total	2,259	+3	237	+12
Consumer	1,831	−1	146	+12
Building products	161	+20	46	+10
Industrial	267	+30	45	+15
US total	1,509	+28	150	+21
Consumer	555	+34	48	+14
Building products	321	+18	35	+6
Industrial	633	+28	67	+37
Total†	3,768	+12	387	+9

*from comparable six months
†excluding £347m sales and £21m profits in 1987-88 half from businesses subsequently sold

The trading results were much as analysts expected. Total sales in the six months were £3.77bn (£3.72bn), while trading profits rose from £356m to £387m.

Sales dipped on the UK consumer side, from £1.85bn to £1.83bn, but the company said that this reflected the reorganisation of its tobacco operations and the subsequent reduction in the number of brands. However, Hanson added that Imperial Tobacco improved profits by over 10 per cent and said that the British Ever Ready batteries business also saw profits ahead of last year, despite increased imported raw material costs.

In the US, Hanson said that overall trading remained strong, in the face of increased raw material costs. The US accounted for just under 40 per cent of trading profit in the first half.

Some £60m (nil) came in from interest earned, property and other income minus central expenses, to leave pre-tax profit up from £356m to £447m.

After a 24 per cent (23 per cent) tax charge, earnings per share on a fully-diluted basis were up from 6.6p to 7.9p. Currency conversions from Hanson's US operations are at $1.688 ($1.888) to the pound.

Below the line, there was a £258m (£211m) extraordinary item, reflecting profit on asset sales.

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ADT has 5.6% stake in Christies

By Clay Harris in London

CHRISTIES International, the London-based fine art auction house, was wondering yesterday whether its own future was on the block after it discovered that ADT, the Bermuda-registered electronic security systems and vehicle auction group, had built up a 5.6 per cent stake in its ordinary shares.

Although Mr Michael Ashcroft, ADT chairman, was coy about his next move, Christies shares closed 26p higher at a record £10.08. This values the group at about £415m ($690m) taking account of the "A" shares – about 20 per cent of the total – which do not trade freely and are controlled by a voting trust.

ADT's foray into the saleroom met a predictable response from Christies. It appeared to be no happier about the possibility of joining the same stable as the former British Car Auctions than its rival Sotheby's had been in 1983 about a bid from US investors Mr Stephen Swid and Mr Marshal Cogan, dismissed by the defence as carpet felt makers.

Mr Christopher Davidge, Christies' managing director, said art and motor vehicle auctions differed in the quality of the people involved and the nature of the businesses. "The selling of fleets of cars is different from selling individual lots," he said.

The only overlap between ADT and Christies is a minor activity for each – vintage car auctions.

Mr Bruce Jones of London stockbroker Kitcat & Aitken suggested, however, that behind the superficial contrasts there were similarities in the handling of multiple clients and the processing of paperwork. "Money is made or lost in pure efficiency," he said.

Nevertheless, Mr Jones said the stake-building could revive doubts about the former Hawley Group's stated determination to stick to electronic security and vehicle auctions. ADT shares closed 4p higher at 178p.

ADT has been buying shares through nominee accounts at least since the beginning of the year, Mr Davidge said. Its activity was traced through Section 212 notices which enable UK companies to demand disclosure of beneficial ownership.

Christies last figured in takeover speculation in 1986 and 1987 when its smaller London rival, Phillips, built up a 5 per cent stake and considered a bid. Also on the share register are the Australian businessman Mr Robert Holmes à Court with 6.3 per cent and the Cayzer family-controlled Caledonia Investments (6.4 per cent).

Bond suffers two fresh setbacks

By Gordon Cramb in London

MR ALAN BOND, the beleaguered Perth businessman, yesterday suffered two further setbacks abroad, just as shares in his companies were attempting a rally from their recent lows on Australian stock markets.

In the latest in a series of upheavals in Mr Bond's brewing, property and resources empire, he has lost his main London lieutenant with the resignation of Mr John Richardson. He had been chief executive of Bond Corporation in Europe for less than a year.

This coincided with indications from the Philippines yesterday that a planned US$475m mining investment by Mr Bond had hit insoluble legal and official snags, less than a month after it was agreed.

An official of the Asset Privatisation Trust, the government body responsible for selling off state holdings, was quoted as saying in Manila that it would reopen offers for the mothballed Nonoc nickel mine. Last month, Mr Bond, through his privately-held Dallhold Nickel Management, won the bidding to buy and rehabilitate the mine.

However, Philippine law requires ownership of such assets to remain at least 60 per cent in local hands, and Dallhold appears not to have convinced the authorities that it could comply.

In Sydney earlier yesterday, Bond Corp shares encountered a revival of interest, rising 17 cents to A$1.28 (US$1.01) after a low last Wednesday of just A$1.

Although Mr Richardson is said to have taken issue with Mr Bond on such events as the group's stake-building in Lonrho, the UK trading multinational, his departure was described as amicable.

Mr Richardson is succeeded by his deputy, Mr Michael Edwards.

BICC makes $177m agreed offer for BRIntec of the US

By David Waller in London

BICC, the UK cables and construction company which has enjoyed a powerful re-rating on the London stock market over the last year, yesterday announced a major move into the US cables market with the acquisition of BRIntec Corporation for $177m.

The agreed deal – to be effected via a tender offer – will take BICC into the market for electronic and electrical cables in both the US and Europe, a sector where the group has not had a major presence until now except in the UK. It follows the purchase of Cablec, another large US cables group, in September 1987.

BRIntec had sales of $337.3m in 1988 on which it made a pre-tax profit of $9.2m, half the level achieved in 1986. BICC yesterday blamed the poor performance over 1987 and 1988 on a mixture of heavy price competition and rapid increases in material costs.

Gross assets of the businesses being acquired were $120m at the end of last year, before taking account of debt of $55m.

Mr Robin Biggam, BICC's chief executive, said yesterday that the latest deal killed two birds with one stone in that it added to the group's geographical coverage as well as taking it into a new niche market.

Group turnover in the US will rise by $200m to $750m in the current year; BICC's share of the electrical cable market will amount to 10 per cent in the US and 25 per cent in the UK.

Mr Biggam predicted that the acquisition would not dilute BICC's earnings per share this year and would enhance them thereafter. The purchase price would fall after the planned disposal of a company that sells connectors for power and control equipment. This sale could raise as much as, if not more than, the subsidiary's asset value of $60-$65m, Mr Biggam added.

Stockbrokers remarked that while the deal looked expensive in terms of BRIntec's profits, it was not necessarily so in terms of turnover acquired. Moreover, there would be plenty of scope for rationalisation: Mr Biggam predicted that in time it would be possible to double margins and pointed to the performance at Cablec, where margins had doubled over three years.

The acquisition is to be financed via a vendor placing of 22.05m new BICC shares which have been conditionally placed by S.G. Warburg & Co via Cazenove & Hoare Govett; existing shareholders are entitled to a full clawback on the basis of four new shares for every 43 held.

The new shares will be offered at 485p, against yesterday's price of 510p, down 7p on the day.

The tender offer has the backing of shareholders speaking for 41 per cent of BRIntec.

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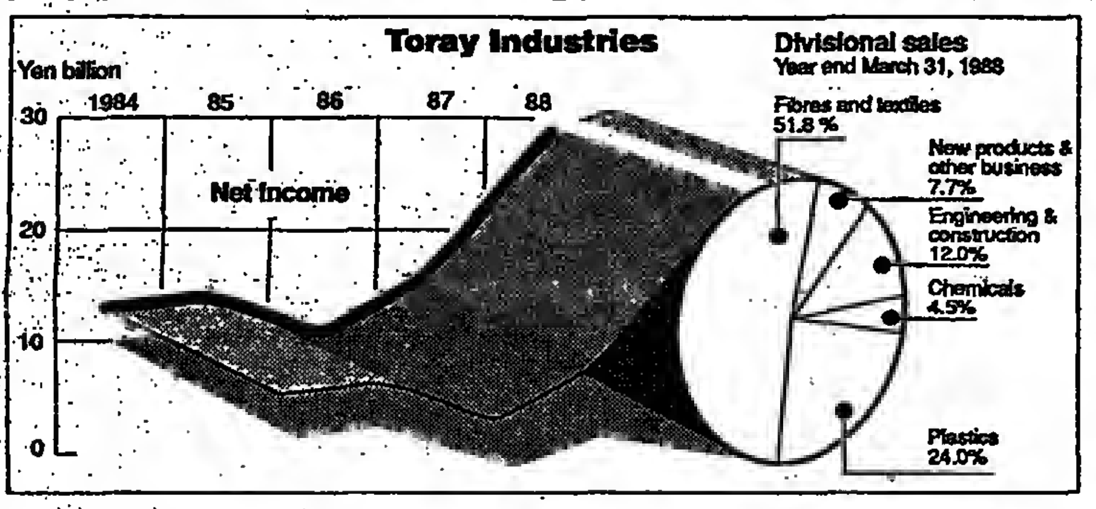


The spinning-wheel comes full circle

Alice Rawsthorn looks at the expansion into European textiles by Toray of Japan

ON THE outskirts of the Japanese city of Kyoto stands a small, somewhat incongruous group of Western-style houses. The houses were built in the 1920s for a team of European engineers who had come to the city to construct a man-made fibre factory.

Some of the engineers were former employees of Courtaulds, the British textile group that pioneered the development of viscose rayon. Toray Industries, one of the emerging Japanese fibre producers, had attempted to secure a licence for viscose rayon. Courtaulds refused. Toray employed the engineers to create a replica plant.

The Toray of today is the largest textile and fibre group in Japan, with interests in chemicals and plastics. When its financial results are announced in Tokyo on Friday, it is expected to report record pre-tax profits of Y52bn ($383m) on sales of Y560bn for the year to March 31.

Earlier this year, Toray made its first big move into European textiles by buying – with more than a hint of irony – Samuel Courtauld, a weaving business in the north of England which is the only company still bearing the original Courtaulds name.

The acquisition offers an opportunity for Toray to strengthen its links with the European market and forms part of the growing trend for Japan's textile groups to invest overseas. It is also indicative of a new confidence within the Japanese textile and fibre industry, which is emerging from a painful period of rationalisation.

Toray will be the latest in a line of Japanese fibre and textile groups to have announced record profits this year. The analysts who follow the textile sector on the Tokyo Stock Exchange expect Japan's nine biggest textile and fibre groups all to report record pre-tax profits for the first time in 15 years in 1988-89.

This is a stark contrast to the despondency that descended upon the Japanese textile and fibre producers three years ago. The problems began in the autumn of 1985, when the yen rose rapidly against other currencies. The Japanese industry found it increasingly difficult to compete in export markets. It also faced a sharp surge in imports from South Korea and Taiwan into its domestic market.

The Japanese fibre giants – with the exceptions of Asahi Chemical and Mitsubishi Rayon – tend to be less widely diversified than their Western counterparts, such as Du Pont of the US and Hoechst of West Germany. Toray has expanded in chemicals and plastics, but still makes more than half its sales from fibres and textiles. The growth of other interests was not sufficient to counter the decline of its core businesses.

Toray, like the rest of the industry, suffered intense pressure on output and profitability. It was forced to resort to radical rationalisation that included the closure of a polyester staple plant at Mishima and a nylon filament factory near Kyoto.

The closures involved huge job losses. This posed a serious problem for Toray – and for the other textile groups involved in rationalisation – in that it is customary for Japanese companies to offer "jobs for life". Toray honoured the custom by redeploying as many employees as possible in more buoyant areas. Yet its workforce has been reduced – through natural wastage and an early retirement programme – from 12,500 in 1985 to 9,600 today.

Toray combined cost-cutting with the restructuring of its interests to emphasise the value-added products, where the South Koreans and Taiwanese were less competitive. It has increased its involvement with industrial, rather than consumer fibres, to take advantage of the growth of Japan's booming car and construction industries.

It has also invested heavily in automation. One of its major innovations – shared by Asahi and Teijin – is the development of a "one-step" spinning system which is twice as fast as the conventional system. Similarly, its weaving plants in Indonesia and Thailand are being re-equipped.

The rationalisation is one of the chief catalysts for Toray's record profits. It has also benefited from less competitive conditions in the Japanese market. The level of domestic demand has improved, while its South Korean and Taiwanese competitors have been struggling against rising labour costs.

Mr Kohei Sakamoto, executive vice president, said Toray expects to be able to maintain its current level of textile and fibre capacity for the foreseeable future. It is this confidence that has encouraged it to expand in Europe by buying Samuel Courtauld.

Toray has manufactured textiles in South East Asia since the 1970s. This strategy reflected the need to cut costs. The Samuel Courtauld acquisition, by contrast, is based on the need to improve service and communications with its European customers. It also offers a chance to boost profitability by breaking away from the three trading houses – Mitsubishi, Mitsui and Itoh – which dominate Japanese textile exports.

The same rationale has prompted other Japanese companies to begin overseas textile ventures. Wacoal, the giant lingerie group which is already involved in the US, is expanding into Europe, as are Kurabo and Toyo Menka Kaisha. However, the scale of investment so far is too small to assess the long-term implications for the European industry.

Toray is now dispatching a team of technicians from Japan to assess the Samuel Courtauld mills. The company which once "imported" engineers from Courtaulds for a factory in Japan, is returning the compliment by sending its own team in the opposite direction.

INTERNATIONAL COMPANIES AND FINANCE

Hewlett's shares plunge on scaled-down forecast

By Louise Kehoe in San Francisco

HEWLETT-PACKARD's stock price plunged yesterday in heavy trading on news that the computer and electronics manufacturer is projecting lower than expected earnings for the second quarter, which ends on April 30.

The stock fell by $6⅛ in early trading, regaining some of its loss by midday to stand at $53, down from a Friday close of $57⅛.

The company said net earnings were expected to be in the range of 85 cents to 90 cents per share compared with 82 cents per share in the second quarter of 1988.

The announcement came as a shock to security analysts who as recently as Friday were raising their earnings estimates to more than $1 per share, citing strong sales of the company's minicomputers and workstations.

According to the company's statement issued yesterday, product orders booked during the period "continue to look good," but preliminary revenue numbers "are below expectations" relative to orders.

"Though incoming orders continued, the good momentum we experienced in the first quarter and the mix of orders was different from what we had planned, and we were unable to adjust production schedules quickly enough to accommodate this change," said Mr John Young, Hewlett Packard's president and chief executive officer.

"As a result of this and other factors, reported revenues will be about 2 per cen to 3 per cent below expectations.

"We also experienced greater than expected pressures on gross margins and higher trade discounts, due in part to the continuing shift in the mix of sales through dealers and other value-added resellers versus direct-to-customer sales."

HP has been making an aggressive push in the fast growing computer workstation market, analysts noted, and has increased its share of the personal computer market. The profit margins on these products tend, however, to be lower than those on larger computer systems.

"While we're concerned about these developments, we're confident they are manageable, and will be the focus of our management efforts in the months ahead," said Mr Young.

K mart reports dip in income

By Karen Zagor in New York

K MART, the world's second biggest retailing group after Sears, Roebuck, yesterday reported a sharp decline in first-quarter income despite a small increase in sales.

Net earnings for the three months to April 26 fell 22.1 per cent to $94.1m or 47 cents a share from $120.8m or 60 cents for the same period the previous year.

Sales were $6.07bn, an increase of 3.9 per cent from $5.84bn a year earlier.

The Troy, Michigan, company said gross margins were lower than in 1988 at 27.8 per cent, which was down from 28.2 per cent.

This reflected a higher contribution to sales from K mart's low margin Makro store business as well as higher inventory charges.

Lower than expected sales resulted in the selling, general and administrative expense ratio rising 0.5 of a percentage point to 25.2 per cent of sales.

Increased advertising, pension and pre-opening expenses contributed to the higher expense ratio.

Wall Street was also disappointed in K mart's results. Analysts had expected first-quarter earnings to be about 65 cents a share.

The company's stock fell $⅝ to $37⅞ in midday trading on the New York Stock Exchange.

Mr Joseph Antonini, chairman of the board and chief executive, said: "The drop in earnings was the result of a sales shortfall from plan. Cooler than normal weather during March and the first two weeks of April adversely affected sales of outdoor patio goods and plants, both very important seasonal lines for K mart, and also hurt sales of our apparel lines.

"We are encouraged by the marked improvement in sales in the last two weeks of April and early May. We anticipate an improving trend in sales and earnings," he said.

Grupo Industrial Alfa buys back 27% of its stock

By Richard Johns in Monterrey

GRUPO Industrial Alfa, Mexico's biggest private sector holding company, now concentrating mainly on steel and petrochemicals, has succeeded in buying back 27 per cent of the company's stock issued as part of a massive debt rescheduling operation in 1987-88.

This has enabled the conglomerate and its main national shareholders, the Garza Sada family, to recover the bulk of the equity created as a result of a highly successful rescue.

Believed to be the biggest such corporate salvage in Latin America, the operation wiped $1.5bn of the $2.7bn foreign borrowings off Alfa's books and gave bank creditors a 45 per cent stake in a greatly expanded equity base.

In a deal costing $320m, raised partly from the group's cash resources and from new borrowing, GIASA, the holding company, recently purchased the shares originally held in a Bahamas-based trust fund, which has now been wound up.

The rest of the stock held by signatories of the rescheduling accord has already been exchanged for trust receipts which can be freely traded as ordinary Alfa voting shares.

Mr Peter Hutchison, GIASA finance director, said only $400m of the $2.7bn which drove the group into virtual insolvency in 1982 is still outstanding. Total debt is now about $1bn, composed also of roughly $200bn in supplier credits and $400bn in new debt.

Ratio between debt and equity is calculated at 0.2/1 compared with 8.7/1 in 1982.

In 1988 the group recorded on its balance sheet a profit of 1,447bn pesos ($634m at the end-December exchange rate which was in force for 10 months of the year), compared with a loss of 217bn pesos in 1987.

Wholly-owned Hylsa steel company, with 23 per cent of Mexican production, was the main contributor with 433bn pesos (46 per cent) while the petrochemicals division accounted for 317bn pesos or 33 per cent.

More than half of overall balance shaat profit wae accounted for by extraordinary and non-recurring items, in particular, the fixed peso-dollar exchange rate for 10 months of last year which "through its effect on real interest rates on dollar liabilitias had a very favourable effect on group profits," Alfa said.

That was a "non-cash gain," Mr Hutchison said. The 1988 balance sheet was boosted by the sale of several subsidiaries under the divestiture plan and rationalisation programme agreed with creditors.

On this front the group, with the winding up of the Bahamas trust, has been absolved of any further obligations.

Not the least of the settlement with creditors has been the fact that GIASA has been able to retain control of loss-making assets which were going to be disposed of bnt have emerged as major profit centres, said Mr Hutchison.

Foremost among them is Nemak, a joint venture with Ford Motor of the US, which makes aluminium engine heads for the motor industry.

Its sales volume rose by 81 per cent last year to $62m, of which 98 per cent was accounted for by exports. The food division, which was also under threat, also excelled itself.

Rio Algom sells steel units to S Korean group

By Our Financial Staff

RIO ALGOM, the diversified Canadian mining company controlled by Britain's RTZ, has signed an agreement to sell its specialty and stainless steel manufacturing operations to Sammi Steel of South Korea for about C$250m ($211.8m).

Sammi said the acquisition will increase its annual production capacity for specialty steels to 1.5m tons by early 1990. This will make it the world's largest specialty steels maker.

The transaction, which was announced this March and is subject to government approval in Canada, Korea and the US, is expected to be completed within two months.

The operations to be sold had sales of C$582m last year and include Atlas Stainless Steels of Tracy, Quebec, Atlas Specialty Steels of Welland, Ontario, and Tech Specialty Steel of Dunkirk and Watervliet, New York.

LTV wins court battle over pensions ruling

A FEDERAL US appeals court panel has upheld a pensions ruling in favour of LTV, the US steel, energy and aerospace group, which has been in bankruptcy proceedings since seeking court protection from creditors almost three years ago, AP-DJ reports from New York.

The court found that a federal pension agency cannot require the group to resume responsibility for a $2bn shortfall in three of the company's pension plans.

The decision was hailed by LTV as clearing a major hurdle in its efforts to reorganise under Chapter 11 of the federal Bankruptcy Code.

The issue was remanded to the agency, the Pension Benefit Guaranty Corporation, for further consideration. However, if the agency decides to hold an administrative proceeding on the matter or to further appeal the decision, a solution enabling LTV to reorganise will be delayed.

Mr Julian Scheer, a senior vice president of LTV, said the appeals court panel had unanimously upheld a lower court ruling and that the pension agency's "most sensible move" would be to resolve the matter. "Retirees have been in limbo," he said. PBGC should negotiate a settlement.

LTV has argued it cannot come up with a plan to pay its debt if it is held responsible for the pension funds' shortage.

A three-judge panel upheld Judge Robert Sweet's finding that the pension agency had not proved LTV could afford to make up the funds. The court supported the judge's ruling that the agency's conclusion had been reached in an "arbitrary and capricious" manner.

The pension agency is in charge of insuring 40m US workers' pensions. It said it was concerned that if LTV were able to avoid reinstatement of the plans, other companies with under-funded pension plans would have an incentive to seek bankruptcy-law protection to ease their own pension obligations.

Genentech signs research deal with UK drugs group

By Peter Marsh

GENENTECH, the US pharmaceuticals and biotechnology company, is to work with Xenova, a small British drugs group, on joint studies involving new types of naturally occurring biological substances which could be used to treat heart ailments and other conditions.

The two companies plan to share commercial rights to any products which emerge from the research and which could be launched on markets throughout the world in the next decade.

Mr Colin Crooks, managing director of Xenova, said yesterday the two groups would together examine tens of thousands of molecules isolated from plants, fungi and other natural substances.

The research would use automated screening technology devised by Xenova to pinpoint specific compounds which could be adapted to form drugs.

Genentech, formed in the late 1970s, is best known for the development of its version of tissue-plasminogen activator, which the company calls Activase.

This is based on a naturally occurring protein and can be used to treat the aftermath of heart attacks by unblocking blood clots.

Xenova, based in Slough, Berkshire, was formed in 1987 and last year had revenues of just £100,000.

It has signed other joint research ventures with Hoffmann-La Roche, the Swiss pharmaceuticals company, and Du Pont, the large US chemicals company.

These deals are aimed at using screening technology similar to that to be used in the Genentech arrangement to uncover other possible drugs which could be developed from natural molecules.

Midlantic agrees to buy five banks from BNY

By Karen Zagor in New York

MIDLANTIC, a leading US regional bank, yesterday signed a definitive agreement to buy five banks from the Bank of New York, making it the only bank holding company with branches in New York, New Jersey and Pennsylvania.

The Edison, New Jersey-based company will pay about $291m for the banks in upstate New York, which had $2.1bn of assets at the end of the first quarter. Midlantic has assets of about $22bn.

The banks are Central Trust Company in Rochester, Endicott Trust Company in Endicott, the First National Bank of Moravia, the Merchants National Bank & Trust Company of Syracuse and the Union National Bank of Albany.

Mr Robert Van Buren, chairman of the board, said: "This acquisition will not dilute Midlantic's 1989 earnings and will provide a positive contribution to our financial results in 1990 and beyond."

The agreement is still subject to approval by federal and state banking regulators. The acquisition is expected to be completed in the fourth quarter of this year.

GE cuts 1,400 appliance side jobs

GENERAL Electric of the US is to cut 1,400 jobs and close factories in Georgia and Maryland to consolidate electrical equipment manufacturing operations in its appliance division, Reuters reports.

GE, the fifth largest US company based on 1988 revenues of $49.4bn, said it will close the electric appliance plants to reduce overcapacity. As a result, a large part of GE's production will be transferred to a larger Roper plant in Lafayette, Georgia, by the end of 1990.

The consolidation will also affect GE's appliance facility at Louisville, Kentucky. The company said workers in its factory there will be trimmed to 1,100 from 1,500 by mid-1991.

Some 900 jobs will be eliminated with the closure of the Maryland plant and 100 at the Georgia factory, both of which will be closed within weeks.

INTERNATIONAL COMPANIES AND FINANCE

COB to rule on LVMH share dealings this week

By Paul Betts in Paris

THE SPOTLIGHT is expected to focus once again this week on one of France's biggest and most bitter corporate battles when the Commission des Operations de Bourse (COB), the French stock market watchdog, releases the findings of its long awaited investigation into dealings in Moët Hennessy-Louis Vuitton (LVMH).

LVMH, the country's leading champagne, cognac and luxury products group, boasts the largest capitalisation on the Paris bourse.

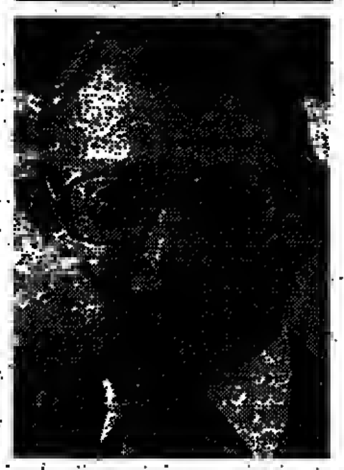
The COB report could either clear the way for Mr Bernard Arnault, the 40-year-old chairman of LVMH, to consolidate his authority and control over the luxury conglomerate or offer a last-ditch opportunity for Mr Henry Racamier, the 76-year-old head of the Louis Vuitton clan, to check Mr Arnault's efforts to secure absolute power over the group.

The French stock market "gendarme" launched its investigation into LVMH share dealings in January. The inquiry has been looking into possible insider trading violations at the beginning of this year when an unusually large volume of LVMH shares was traded just before the company reported glowing profit estimates showing a 50 per cent increase in 1988 earnings over the previous year.

The COB has also been examining whether Mr Arnault in partnership with Guinness took control of LVMH during his stock market raid last January. Mr Arnault has always claimed he did not take control. But if the COB rules otherwise, he would be forced to make a full offer to all other shareholders at the same price he paid for his controlling block in January.

The inquiry has also centred on a third issue involving Mr Arnault's acquisition at an attractive price of a large amount of LVMH Luxembourg-quoted share warrants last year. This helped him build up his dominant position in the group's capital.

Mr Arnault, who now controls with Guinness 46.5 per cent of the fully diluted capital of LVMH and 35 per cent of the voting rights, has repeatedly denied charges of irregular dealings and has, on the sur-



Arnault (top) and Racamier: battling for control

face at least, always appeared confident that he would be cleared by the COB investigation. But the COB findings are by no means a foregone conclusion and could yet reserve a few surprises.

Of the three issues under investigation, it is the acquisition of the share warrants last year which risks posing the biggest problem for Mr Arnault, according to stock market analysts. The current betting in the market is that while Mr Arnault is expected to be cleared of insider trading allegations and is also unlikely to be forced to make a full offer for all outstanding LVMH shares, he could come unstuck over his acquisition last year of the LVMH share warrants. Under those circumstances, he could be forced to sell the stake acquired through these warrants, helping to redistribute the balance between the various shareholding blocks in the company.

Mr Arnault would then see his share of the voting rights drop to around 30 per cent, while the Vuitton clan would see its share increase from a 27 per cent to around 30 per cent. This could set the stage for an interesting proxy fight at the group's annual meeting on June 9.

Mr Racamier is clearly hoping that unfavourable findings against Mr Arnault by the COB will undermine his younger rival's standing in the financial community and help swing some of the other institutional shareholders and the Moët-Hennessy families to his side.

Mr Racamier recently blocked in the law courts an attempt by Mr Arnault to secure overall management control of the Vuitton holding company and in so doing force him to resign. But if the COB inquiry clears Mr Arnault, Mr Racamier will find it extremely hard to resist Mr Arnault's final assault at the LVMH annual meeting next month and the Vuitton holding company's annual meeting a few days later.

Mr Arnault would then find himself the undisputed boss of the French group, although his control will ultimately continue to depend on his relationship with Guinness.

For his part, Mr Arnault has sought to secure the confidence of both the French financial establishment and of the Moët-Hennessy clan by appointing first Mr Jean Dromer, former head of the UAP state insurance group, as chairman of his Financière Agache holding company, and then at the end of last month by naming Mr Frederic (Fred) Chandon de Briailles at the top of the LVMH supervisory board.

But the summary replacement last week of the famous fashion designer Mr Marc Bohan by the Italian designer Mr Gianfranco Ferre at Christian Dior, the venerable haute couture house controlled by Mr Arnault, has been seized by his critics and opponents as another example of his brutal business approach.

Jarden Morgan to sell Deak Intl

By Our Financial Staff

DEAK INTERNATIONAL, a North American money and metals broker, has been put up for sale by Jarden Morgan, the New Zealand investment bank which rescued it from Chapter 11 bankruptcy proceedings in the US three years ago.

Jarden said it recognised it did not have the resources to give the company the financial support which an international organisation of its kind required. It paid a reported US$12m for 75 per cent control of the former Deak & Co in 1986, since when the unit, now wholly owned, has been involved in a series of acquisitions.

In early 1987 it agreed the takeover of a foreign exchange dealer in Hong Kong and paid £17.2m ($28.6m) for Johnson Matthey Commodities, then owned by the Bank of England following the collapse of Johnson Matthey Bankers, its parent.

Jarden said that as of last September, Deak International comprised around 35 per cent of shareholders' funds for Jarden and 75 per cent of its debt.

Its original intention to float a minority of Deak on a US or Canadian stock exchange within three years was put into abeyance by the October 1987 crash.

Pre-tax profits surge 31% at Daiwa House

By Robert Thomson in Tokyo

DAIWA HOUSE Industry, Japan's second largest home builder, lifted pre-tax profit 30.8 per cent in the year to March to Y44.03bn ($324m) on a 20.6 per cent increase in sales during a year of strong domestic growth.

The company has been expanding its leisure interests with golf course and hotel projects in resort towns to take advantage of sharply rising domestic tourism and the official emphasis on reducing work hours and increasing leisure time.

Mogren aims Astra at the stars

The new chief of Sweden's top drugs group talks to Peter Marsh

WHEN Mr Hakan Mogren became president of Astra, Sweden's top drugs concern, after 10 years in the confectionery husiness, his sppointment prompted jokes that he might introdnce the pharmaceutical industry to chocolate-coated medicines.

But his ideas have proved to be more orthodox, as befits the *challenging task which the 44-year-old Mr Mogren has taken on*: to shove Astra, Sweden's biggest pharmaceutical company, into the top rank of world drug businesses.

Tall, enthusiastic, bespectacled and slightly chnbby, Mr Mogren joined Astra in early 1988 after spending 10 years in the top joh at Marabon, a leading Swedish confectionery maker. He had originally joined Marabon as a research scientist.

Mr Mogren's views strike at what many believe to be a central problem at Astra. The company is acknowledged to have an excellent research and development (R&D) programme and a good profits record. But with sales last year of SKr6.2bn ($1.05bn) the company is too small at the moment to have more than a passing impact on the world drug industry.

SIX-YEAR RECORD	Sales (SKr m)	Pre-tax profit (SKr bn)
1983	3.56	0.65
1984	3.91	0.78
1985	4.43	1.01
1986	4.96	1.15
1987	5.40	1.29
1988	6.27	1.50

Basically, says Mr Mogren, Astra has to grow up. With this aim in mind he is introdncing tighter management disciplines and a new focus on marketing. "I have a strong belief in the future of the company. But Astra will have to be more systematic than in the past," he says.

He adds: "We're starting a new phase. Either we are going to turn into a real international company or we remain a North European niche producer."

Althongh Astra is well known to pharmaceutical industry insiders, the company is very much a middleweight in the global drug business, in which it occupies abont 45th position in terms of sales.

The company's location hardly helps its image. It is hased in the unfashionable town of Södertälge, 45 minutes' drive south of Stockholm. Södertälge was for many years the site of a large mental asylum and is known in Sweden as "idiot city."

Against Astra's modest sales position, it has a number of *promising drugs in* its research pipeline which could, some analysts believe, propel it up the pharmaceutical league table over the next decade.

One of these medications is Losec, a new type of anti-ulcer drug which many believe could challenge the dominance in this field of Zantac, the world's best selling medication which is made by Glaxo of Britain. Other highly thought of future products inclode a heart drug called Plendil and Roxiam, which might help combat schizophrenia.

The favonrable view of Astra's researcb capabilities is clearly shared by Merck of the US, the world's leading pharmaceuticals group with annual sales some five times larger than that of Astra. In 1982 it agreed to hand the Swedish company $60m in exchange for US marketing rights to a numher of the Astra products under development, including Losec.

Mr Mogren sees his job as very much geared to maximising the revenues which can be gained from Astra's research strengths. Helping Mr Mogren in this is his marketing-oriented bnsiness approach, which he backs up with a doctorate in applied biochemistry.

Astra's new president describes Astra as a "fantastic" company. But he was worried by the lack of focus to much of Astra's commercial thinking which he says he discovered when he took over.

MR Mogren's views about tight management are in stark contrast to those of his predecessor. Mr Ulf Widengren was Astra president for a decade before he died suddenly from cancer in 1987. He was a seat-of-the-pants businessman who ran the company by instinct and spent more than half of each year on the road picking up ideas and geeing up company employees.

Under Mr Widengren, Astra

Hakan Mogren: faces a challenging task

grew strongly and company employees are full of praise for his skills as a motivator. But the company's organisation was somewhat messy: lines of communications were extremely long with about 50 managers reporting to the president alone.

Soon after taking over at Astra, Mr Mogren commissioned PA, the British management consultantcy, to ask 40 of Astra's senior managers what they thought about the company.

Many said its strategic thinking could be improved and that they were not sure what was being expected of them.

Buttressed by this piece of research, Mr Mogren cut the numbers reporting directly to him to about 15, vesting day-to-day management control in a four-man execntive committee. The new structure has a strong accent on marketing with the world being carved up into seven regions with one person responsible for sales in each.

Mr Mogren thinks Astra will have to target its drugs far more effectively at specific regions, if necessary coming up with different sales strategies for each area, if it is to make the most of the good products coming through the research pipeline.

Regarding the key markets of the US and Japan – the two biggest markets for pharmacenticals – Mr Mogren has already demonstrated his keenness to think afresh Astra's sales methods.

In the US, he is reviewing the the relationship with Merck. He says be is quite happy for Merck to sell Astra's products in the US in the short term . But furtber into the 1990s he might wish to build up Astra's own US marketing force to give the Swedish company total control over sales.

In Japan Astra bas had for some years a joint venture with Fujisawa, a Japanese drugs company. It supple*mented this last year through* buying, via the joint venture, Hoei, another Japanese pharmaceutical business. The deal doubled the number of people in Japan who are marketing Astra's drugs, taking this number to 260.

As for R&D, Mr Mogren recognises that this is a key division for Astra. Some 1,600 of the company's 7,000 employees work in this field, all but 100 of them in Sweden. The company spends 20 per cent of sales on R&D, which is a large proportion even for the highly research intensive pharmacentical industry.

DESPITE Astra's good research record, he believes the thrust here could be sharper. "We have to do more to set priorities in research. We cannot be good at everything," he says.

Mr Mogren has already wielded his pruning knife in the research field, cutting out work at Astra on AIDS drugs and on some kinds of cancer therapy.

He says that his background in coming to Astra from a marketing-oriented food company was by no means inappropriate for the job be reckons he has to do at Astra, even though coming in without a detailed knowledge of the drugs business was in some senses a disadvantage. Mr Mogren says it took tbe first six months of his time in his new job to learn the rudiments of the industry.

Even so, Mr Mogren knows he can always compensate for his lack of expertise in the drugs arena by falling back on his scientific background. "I've been through the kindergarten of science ; at least I know the alphabet of biology."

Still relatively new to his job, Mr Mogren is wary about making too many forecasts of where he thinks Astra will be in five years' time. But he seems to be enjoying himself. "I'm having fun," he says. "Yon can't tax fun."

INTERNATIONAL COMPANIES AND FINANCE

Mutual struggle for new identity

Barry Riley on the shake-up at UK unit trust group NM Schroder

EVER since National Mutual Life Association of Australasia bought the life assurance and unit-trust business of Schroders, the City merchant bank, it has been struggling to justify the £99m ($164m) deal.

By the same token, for Schroders the decision to sell turns out to have been shrewdly timed. The troubled unit trust industry is faced with widespread rationalisation and cuts, and last week NM Schroder, as the business is now temporarily known, announced its restructuring.

It is making drastic staff cuts and closing offices at Poole in south-west England and London in an attempt to achieve a more streamlined and efficient structure. The cutbacks announced last week at NM Schroder are likely to be emulated elsewhere in the sector.

The original deal was done because Schroders wanted to bolster its capital base at the time of Big Bang, the restructuring of the stock market in October 1986. The bank also argued that the long-term development of the retail investment business would be enhanced if it became part of an organisation that was primarily involved in the retail savings market.

National Mutual, for its part, wanted to expand in a new and larger market-place, being severely limited in the domestic Australian market, where it is the second largest life office.

Until 1986, National Mutual only operated a small traditional life business in the UK, and sought an entry into the mucb more bnoyant unit-linked area. NM Schroder is the 15th largest UK unit trust group, with some £730m under management at the end of 1988.

From the beginning, bowever, National Mutual faced a serious identity crisis. It negotiated the use of the NM Schroder name in the retail market up to the beginning of 1990 – e period subsequently hronght forward to October this year – but it cannot use tbe National Mutnal name because of a clash with a UK office.

Consequently, it faces being left with the distinctly anonymous title of NM.

Moreover, Schroders, far from abandoning the unit trust business, as it hinted at the time of the deal, has shown itself anxious to move back into the market. It has continued to promote certain wholesale-market unit trusts and pension plans, and it will relaunch the Schroder name in the retail market in October. The result could be confusion among both professional intermediaries and investors themselves.

There has already been transitional confusion over the investment management of the various funds involved.

Some of them have been handed over by Schroders to the care of National Mutual's managers, but others will stay with Schroders until next year.

The biggest blow to National Mutual, bowever, was undoubtedly the October 1987 stock market crash. Less than a year after tbe deal with Schroders was completed it faced a collapse of the unit trust market, and a general increase in competition. The task of justifying the £99m purchase price was made immeasurably harder.

Even during the bull market the business had apparently been no more than modestly profitable. Schroders' life and unit trust operations had only contrihnted £700,000 to the group's disclosed profits after tax in 1985.

There heve been internal management difficulties, too. Last summer there were pricing errors in several offshore sub-funds based in Guernsey, and intermediaries took advantage of opportunities to switch from one to another at a guaranteed profit.

That imposed losses on remaining investors, and NM Schroder felt obliged to make good these shortfalls at considerahle cost. In November last year, 38 staff in Guernsey were sacked, although it was denied that there was a direct connection with the pricing errors.

On Thursday NM Schroder put a brave face on events. Mr Robert Taylor, the managing director, claimed that the changes being implemented as a result of the organisation review would enable the company to react swiftly and positively to market changes while maintaining competitive pricing policies.

Quebec seeks to control financial planners

By Robert Gibbens in Montreal

QUEBEC, a leader in tbe deregulation of financial services since 1980, is taking steps to control financial planners and will widen the business powers of insurance brokers.

The provincial government has tabled legislation for requiring individuals offering financial planning services to obtain a diploma from a recognised institution and follow a strict code of ethics.

Quebec, the first province to regulate financial planners, wants the new legislation passed next month. The rules would allow stockbrokers to be financial planners.

The Canadian Association of Financial Planners, which has 1,400 members, including 200 in Quebec, said the move would provide standards, protect consumers and increase competition.

Insurance brokers will be able to sell savings bonds, accept savings deposits, sell securities and make mortgage loans. Those in the property and casualty field can act on behalf of several institutions, while those handling life and health may act for only one.

● Teck, the big Canadian gold and base metals group, is flush with cash and is looking for acquisitions to balance the metals industry cycle, says Mr Norman Keevil, president.

Teck's first quarter earnings were C$25.4m (US$21.5m), or 31 cents a share, double the level a year earlier. Last year, its earnings nearly trebled to C$98m.

Teck, besides mining coal, copper and zinc in British Columbia, owns half of the rich David Bell gold mine in northern Ontario and 20 per cent of Cominco, the country's largest lead-zinc producer in partnership with Metallgesellschaft and others.

Teck and partner Corona expect the Supreme Court of Canada's decision on the ownership of the Page Williams gold mine in Northern Ontario to be handed down by the end of next month. Lac Minerals is the contestant for ownership.

Finsiel plans link with Soviet Union

By John Wyles in Rome

ITALY'S Finsiel, the second largest software company in Europe, is planning a number of international partnerships, including one with the Soviet Union, in the coming months, after a strong increase in both profits and employment in 1988.

Both revenues and net profits rose by about 22 per cent on 1987, reaching L699bn ($502m) and L21.6bn respectively.

The state-owned company, which is part of the Iri group, claims that, at 5.5 per cent, its profits as a proportion of sales are now well above the European average for the industry of 2.5 per cent and quite distant from the 1.5 per cent average of its competitors in Italy.

Professor Alessandro Alberigi Quaranta, Finsiel's chairman, said last year's 24 per cent growth in the Italian market for software was well above trends elsewhere in Europe and the US.

However, he regretted that the country remained relatively backward in computer-aided software engineering, which took a substantial share of the 7 per cent of sales Finsiel spent on research and development last year.

Outlining the company's international strategy, Mr Vittorio Slavati, managing director, said some foreign companies had been identified as targets either for acquisition or for marketing and production partnerships.

Finsiel was expecting "a major agreement" to follow the visit to Rome later in the month of a 14-strong Soviet delegation led by the Minister for Informatics, Mr A.V. Maksacov.

He refused to go into details but envisaged an accord which would sell both Finsiel products and training and other services in the Soviet Union, as well as offering the possibility of Finsiel involvement in a consortium of Italian companies to build software production plants for the Soviet Union.

Although Finsiel increased its employment by 18 per cent to 4,500 last year, Mr Alberigi Quaranta said the shortage of qualified graduates in Italy was becoming "dramatic".

The company was deliberating over locating its production centres in the south of the country because the difficulties of recruitment there were slightly less serious than they were in the north.

CAE Industries profit jumps 59%

By Robert Gibbens

CAE Industries, which bought the US Singer Company's Link military aircraft simulator division last year for US$560m, reported a 59 per cent jump in net profit to C$43.7m (US$37m), or 56 cents a share, in the year to March 3, up from C$27.1m, or 35 cents a year earlier.

Revenues soared to C$838m from C$332m, mainly because of the inclusion of Link. CAE has won a C$58m contract for a prototype flight simulator for tbe West German air force. This is expected to be the prelnde to a C$360m order from West Germany for upgrading its Tornado simulator programme.

● Two Japanese groups and a Brazilian metals company are joining a Quebec government agency on a study of a 80,000 tonnes-a-year ferrochrome plant near Montreal.

The partners are Mitsui and Showa Denko of Japan, CAEMI of Brazil and the SGF, the Quebec industrial development agency. Capital cost would be C$125m and a decision on it will be made later this year.

A German metals groop originally in the partnership has withdrawn.

COMPANY NOTICES

OUTOKUMPU OY
NOTICE
to the holders of Outokumpu Oy
US$ 30,000,000 9% Bonds due 1991

NOTICE IS HEREBY GIVEN that at the Meeting of the holders (the Bondholders") of the above-mentioned bonds ("the Bonds") convened by Outokumpu Oy ("the Issuer") and held at 9.00 a.m. on Friday 10th March 1989 at the undermentioned offices of Banque Générale du Luxembourg S.A. ("the Fiscal Agent"), the Extraordinary Resolution referred to in the notice convening the above mentioned meeting was adopted by Bondholders representing at least three-quarters in principal amount of the Bonds then outstanding. Arrangements have been made by the Fiscal Agent for the modified Condition 7(g) to be overstamped on the Bonds. Overstamping of the Bonds can be effected at the relevant office of any of the Agents specified below:

The Fiscal Agent: BANQUE GENERALE DU LUXEMBOURG S.A., 14, rue Aldringen, L-2951 Luxembourg

The Paying Agents:

(1) Generale Bank, Montagne du Parc 3, B-1000 Bruxelles
(2) Banque Générale du Luxembourg (Suisse) S.A., 37 Rennweg, CH-8023 Zürich
(3) Amsterdam-Rotterdam Bank N.V., Herengracht 595, 1000 EH Amsterdam
(4) Orion Royal Bank Limited, 71 Queen Victoria Street, London EC4V 4DE

Issued by the Fiscal Agent on behalf of the Issuer

Dated 16th May, 1989

OUTOKUMPU OY
NOTICE
to the holders of Outokumpu Oy
ECU 60,000,000 8% Bonds due 1996

NOTICE IS HEREBY GIVEN that at the adjourned Meeting of the holders ("the Bondholders") of the above-mentioned bonds ("the Bonds") convened by Outokumpu Oy ("the Issuer") and held at 9.30 a.m. on Wednesday 29th March 1989 at the undermentioned offices of Banque Générale du Luxembourg S.A. ("the Fiscal Agent"), the Extraordinary Resolution referred to in the notice convening the above mentioned meeting was adopted by Bondholders representing at least a majority in principal amount of the Bonds then outstanding. Arrangements have been made by the Fiscal Agent for the modified Condition 9(g) to be overstamped on the Bonds. Overstamping of the Bonds can be effected at the relevant office of any of the Agents specified below:

The Fiscal Agent: BANQUE GENERALE DU LUXEMBOURG S.A., 14, rue Aldringen, L-2951 Luxembourg

The Paying Agents:

(1) Generale Bank, Montagne du Parc 3, B-1000 Bruxelles
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(3) Amsterdam-Rotterdam Bank N.V., Herengracht 595, 1000 EH Amsterdam
(4) Orion Royal Bank Limited, 71 Queen Victoria Street, LONDON EC4V 4DE

Issued by the Fiscal Agent on behalf of the Issuer

Dated 16th May, 1989

CREDIT LYONNAIS
US DOL 300,000,000 FLOATING RATE NOTES DUE 1996

Notice is hereby given to the holders of the above mentioned notes, that Credit Lyonnais will proceed on June 16, 1989 to the early redemption of the amount of US DOL 150,000,000. The notes to be redeemed have been drawn by lot and bear the following serial numbers:

2421 to 17420 (these numbers inclusive)
(i.e. 15,000 notes of US DOL 10,000 each)

These notes will be redeemable at par and will cease to bear interest on June 16, 1989.

The nominal amount of notes outstanding after June 16, 1989 will be US DOL 150,000,000.

Banque Internationale a Luxembourg
Societe Anonyme
Fiscal Agent and
Principal Paying Agent

Luxembourg, May 16, 1989

Union Bank of Finland Ltd.
US$ 100,000,000
Floating Rate Subordinated Notes due 2034

In accordance with the provisions of the Notes, notice is hereby given that for the interest period from May 15, 1989 to November 15, 1989 the Notes will carry an interest rate of 10¼ % p.a.

The interest payable on the relevant interest payment date, November 15, 1989 against coupon n°10 will be US$ 523.89 per Note.

The Reference Agent
KREDIETBANK
S.A. LUXEMBOURGEOISE

Inchcape to take over HK finance company

By John Elliott in Hong Kong

INCHCAPE PACIFIC, the Hong Kong-based regional organisation of Inchcape of the UK, has joined with Security Pacific Financial Services of the US to take over InchRoy Credit Corporation, a medium-sized Hong Kong consumer finance company.

They have bought a 70 per cent interest in the company from Royal Bank of Canada, which is rationalising its activities. Inchcape already has a 30 per cent stake in InchRoy and goes up to 50 per cent, while Security Pacific is taking the other 50 per cent.

This is part of an expansion in several Asian countries including Vietnam, South Korea, Taiwan and Japan announced in Hong Kong by Mr George Turnbull, Inchcape chairman.

He said the deal did not indicate that Inchcape was launching itself into financial services. InchRoy was a "non-strategic investment" linked with the company's other activities and would make a "considerable amount of money."

Established in 1973 as a joint venture between the Royal Bank and Inchcape to finance Inchcape's car sales, the company has current loans outstanding of around HK$1bn (US$128.2m), about half of which are linked to Inchcape's sales.

Profits were HK$48m in 1988, up from HK$30m in 1987. After further substantial growth expected this year, the deal is likely to boost Inchcape Pacific's annual profits (HK$568m last year) by about HK$30m to HK$40m.

Inchcape Pacific is moving into Vietnam with an office in Hanoi to explore trading activities at a time when the country is beginning to open up its economy to foreign businesses. It is particularly interested in textiles and garment exports.

It is also planning to open or expand motor and business machine sales operations in Taiwan, Korea and Japan.

News Corp increases profit 8.9%

By Chris Sherwell in Sydney

THE SHARE price of News Corporation, Mr Rupert Murdoch's international media group, surged higher on a strong Australian stock market yesterday, ahead of third-quarter results showing a continued improvement in trading profit and large extraordinary gains.

In Sydney, News's shares finished at A$13.70, up 45 cents, to take the rise over the past four trading days to A$1.30. Since the end of 1988 they have climbed almost A$4.

The latest increase follows this month's sale to Reed International of News's worldwide travel and electronic publishing businesses for US$825m, significantly higher than market expectations and way ahead of the sum Mr Murdoch originally paid.

The transaction suggested a possible undervaluation of News's assets and pointed to a further reduction in News's still burdensome debt which, according to yesterday's figures, demanded interest payments of A$638m (US$502.2m) in the first nine months, up from A$452m previously.

Those results, on an equity-accounted basis and after income tax, showed a profit figure of A$312.1m, up just 8.9 per cent on the previous figure of A$286.7m.

Including extraordinary gains, which soared to A$155m from A$14m previously, the group's bottom-line profit was A$467m, up 55.4 per cent on the previous A$300.5m.

According to a more detailed breakdown, News achieved a profit on trading operations before interest of A$982m, up 38.5 per cent, on a turnover of A$5.5bn, up 24.8 per cent.

After taking into account the higher interest payments net of dividends received, the pre-tax profit figure was reduced to A$373.6m, compared with A$278m previously.

The detailed figures also showed News's overall performance in the UK to be comparatively weak. Losses from The Times and Today continued to fall, and trading profit rose to A$270m from A$255m, but turnover remained static at A$1.23bn.

By contrast, trading profit in Australia and Hong Kong almost doubled to A$301m from A$162m on a turnover of A$1.76bn, up from A$1.2bn. In the US, where the figures included the five-month results from Triangle Publications for the first time, trading profit increased to A$410m from A$292m on a turnover of A$2.55bn, up from A$2bn.

Kleinwort loses battle over letters of comfort

By Raymond Hughes, Law Courts Correspondent

KLEINWORT BENSON, the UK merchant bank, has been refused leave to make a final appeal to the House of Lords in a case about letters of comfort issued to it as part of a loan agreement.

The Law Lords' appeals committee has rejected the bank's petition for leave to challenge a Court of Appeal ruling in February.

The appeal court, reversing a decision of the High Court, held that letters of comfort given by Malaysia Mining Corporation as part of an agreement for a bank loan to its subsidiary, MMC Metals, were not legally binding.

Mr Ian Terry, of Freshfields, MMC's firm of solicitors, said those in the commercial community who had given letters of comfort would be relieved that the ruling would now stand as a binding precedent.

Wong Sulong adds from Kuala Lumpur: In a statement to the Kuala Lumpur Stock Exchange, MMC said the £13.9m (US$23.1m) in question would be included in its accounts for the current year. MMC Metals went into liquidation following the tin market crash in late 1985.

● MMC is also to sell to Permodalan Nasional, its parent, 20m shares in Sime Darby for 100m ringgit ($37.1m). This reduces MMC's stake in Sime to 11.7 per cent from 13.7 per cent.

SAB lifts turnover as beer sales rise

SOUTH AFRICAN Breweries (SAB), the diversified brewing and consumer products group, increased sales at a greater rate than the overall national growth in consumer spending during its past financial year and is planning further fixed investment this year. However, consumer spending is expected to be severely inhibited, writes Jim Jones in Johannesburg.

Turnover increased to R10.60bn ($4.08bn) in the year to March from the previous year's R8.68bn; the trading profit before financing costs and tax rose to R1.02bn from R746m; and the pre-tax profit was R843m against R636m.

The group is benefiting from market changes that are accompanying growing black urbanisation. Black South Africans are switching away from traditional beverages towards malt beer and, in the process, lifting SAB's beer sales at a far greater rate than the growth in other alcoholic drinks.

Mr Meyer Kahn, managing director, says beer sales volumes rose by 9.5 per cent in the year and beer's contribution to group earnings increased by 28 per cent against 30 per cent for the non-beer interests.

However, beer sales are not expected to be affected by austerity measures recently imposed by the Government, while analysts believe this year's sales of consumer durables could be sharply lower than those for last year.

Mr Kahn says SAB intends increasing its fixed investment by R1bn this year, equivalent to almost four times last year's depreciation and representing an increase of one quarter on the operating assets and investments carried in the balance sheet at the end of March.

In February SAB acquired Da Gama Textiles, Tootal's local interest, when the British textiles company divested. SAB will account it as a subsidiary this year.

SAB's net earnings were 187.2 cents a share against the previous year's 146.5 cents and the year's dividend has been increased to 84 from 66 cents.

Nampak up 25%, but sees slowdown

NAMPAK, THE South African packaging company, lifted its interim sales and profits by a quarter during the six months to March, but believes the growth rate will slow considerably in the current half-year, writes Jim Jones.

Interim turnover rose to R1.48bn ($569.8m) from R1.21bn and pre-tax profit was R162.0m against R142m.

Mr David Brown, chairman, says customers are showing signs of de-stocking in response to reduced consumer spending and higher interest rates. He still expects real sales and profit growth in the second half.

Net earnings rose to 212 cents a share from 163 cents and the interim dividend has been lifted to 68 cents from 54 cents.

Nampak is controlled by Barlow Rand, the industrial and mining group.

● Afrox, South African offshoot of the UK's BOC Group, expanded production of industrial gases and diversified further to lift turnover 29 per cent to R346m in the six months to March. Pre-tax profit was R67.6m against R53.5m.

Facilities in the gas division were expanded and a new private hospital added to the company's medical care interests.

Net earnings rose to 86.7 cents a share from 60 cents and the interim dividend has been increased to 40 cents from 30 cents.

Paliburg gains 31% in property sector surge

By Michael Marray in Hong Kong

PALIBURG INVESTMENTS, a Hong Kong-listed unit of Mr Lo Yuk Sui's Century City group, has reported a 31 per cent increase in after-tax profits to HK$180m (US$23.1m) for last year, buoyed by rising prices in the local property sector and a strong performance from the Regal Hotels group.

Extraordinary credits worth HK$21.4m boosted attributable profits to HK$201.4m.

During the year Paliburg made steady sales of units in its residential developments, while retaining a number of completed properties for investment purposes.

Growth in earnings is forecast to accelerate over the next two years, as construction projects are completed on sites acquired at relatively low prices in 1986 and 1987.

SA furniture suppliers hit by tighter credit controls

By Jim Jones

SOUTH AFRICAN furniture suppliers have been knocked by tighter credit controls and higher interest rates in the second half of the year to March.

However, Associated Furniture (Afcol), a leading manufacturer, has welcomed the Government's decision not to extend to locally made furniture the additional, stringent hire-purchase conditions it has just imposed on imported products.

Analysts expect this will give local manufacturers a valuable marketing edge at a time when consumer spending on durables is being crimped by tighter household budgets.

Amrel, a furniture retailer which, like Afcol, is part of the South African Breweries group, is pessimistic about trading prospects. The earlier curbs and interest rate increases, introduced after last October's municipal elections, severely depressed the company's furniture sales.

Afcol's turnover increased to R567m ($218.3m) from R510m and the pre-tax profit – affected by a doubling of the interest bill – was R43.5m against R43.4m. At operating level, before dividend income and interest and tax payments, profits rose to R48.2m from R43.1m.

Despite the advantage implicit in the new hire-purchase regulations, the directors warn that sales growth will be blunted this year by high interest rates and low growth in private consumption.

Net earnings were 170 cents a share against 144.8 cents and the total dividend was raised to 85 cents from 72.5 cents. The directors hope to match the earnings level this year.

At Amrel, which is also involved in footwear and apparel retailing, turnover rose 9 per cent to R760m while pre-tax profit increased 2 per cent to R37.5m. Mr Meyer Kahn, chairman, says steadily rising mortgage and interest rates crimped disposable incomes.

Sales of footwear and clothing were comparatively buoyant, but he adds it will be difficult to match the past year's earnings this year.

Net earnings increased to 241 cents a share from 231 cents and the year's dividend has been raised to 81 cents from 77 cents.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, May 15, 1989. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	60.5367	31.1616	44.1111
Albania	(Lek)	9.9707	6.0815	3.1305	4.4314
Algeria	(Dinar)	11.9569	7.2930	3.7541	5.3141
Andorra	(Fr Fr)	10.7600	6.5629	3.3783	4.7822
	(Sp Peseta)	198.25	120.9210	62.2448	88.1111
Angola	(Kwanza)	50.8525	31.8170	15.9662	22.6011
Antigua	(E Carr $)	4.4361	2.7057	1.3928	1.9716
Argentina	(Austral)	181.74	110.8508	57.0612	80.7733
Aruba	(Florin)	2.9410	1.7938	0.9233	1.3071
Australia	(Aus $)	2.1055	1.2842	0.6610	0.9357
Austria	(Schilling)	22.405	13.6657	7.0345	9.9577
Azores	(Port Escudo)	262.80	160.2927	82.5117	116.8000
Bahamas	(Bahama $)	1.6395	1	0.5147	0.7286
Bahrain	(Dinar)	0.6179	0.3768	0.1940	0.2746
Balearic Is	(Sp Peseta)	198.25	120.9210	62.2448	88.1111
Bangladesh	(Taka)	52.00	31.7169	16.3265	23.1111
Barbados	(Barb $)	3.3046	2.0156	1.0375	1.4687
Belgium	(Belg Fr)	66.55c	40.5916	20.8948	29.5777
		66.90g	40.8051	21.0047	29.7333
Belize	(B $)	3.2860	2.0042	1.0317	1.4604
Benin	(CFA Fr)	538.00	328.1488	168.9167	239.1111
Bermuda	(Bermudian $)	1.6395	1	0.5147	0.7286
Bhutan	(Ngultrum)	27.00	16.4684	8.4772	12
Bolivia	(Boliviano)	4.2225	2.5754	1.3257	1.8766
Botswana	(Pula)	3.4725	2.1180	1.0902	1.5433
Brazil	(Cruzado)	1.7912	1.0925	0.5623	0.7960
British Virgin Is	(US $)	1.6395	1	0.5147	0.7286
Brunei	(Brunei $)	3.2143	1.9605	1.0091	1.4285
Bulgaria	(Lev)	1.4405	0.8786	0.4522	0.6402
Burkino Faso	(CFA Fr)	538.00	328.1488	168.9167	239.1111
Burma	(Kyat)	11.3484	6.9218	3.5630	5.0437
Burundi	(Burundi Fr)	262.95	160.3842	82.5588	116.8666
Cameroon	(CFA Fr)	538.00	328.1488	168.9167	239.1111
Canada	(Canadian $)	1.9520	1.1906	0.6128	0.8675
Canary Is	(Sp Peseta)	198.25	120.9210	62.2448	88.1111
Cp. Verde Is	(CV Escudo)	128.8769	78.6074	40.4637	57.2786
Cayman Is	(CI $)	1.3637	0.8317	0.4281	0.6060
Cent. Afr. Rep	(CFA Fr)	538.00	328.1488	168.9167	239.1111
Chad	(CFA Fr)	538.00	328.1488	168.9167	239.1111
Chile	(Chilean Peso)	419.02	255.5779	131.5604	186.2311
China	(Renminbi Yuan)	6.2363	3.8037	1.9580	2.7716
Colombia	(Col Peso)	605.68	369.4297	190.1664	269.1911
Comoro Is	(CFA Fr)	538.00	328.1488	168.9167	239.1111
Congo (Brazz)	(CFA Fr)	538.00	328.1488	168.9167	239.1111
Costa Rica	(Colon)	132.5901	80.8722	41.6295	58.9289
Cuba	(Cuban Peso)	1.2513	0.7632	0.3928	0.5561
Cyprus	(Cyprus £)	0.8150	0.4971	0.2558	0.3622
Czechoslovakia	(Koruna)	25.49c	15.5474	8.0031	11.3288
		16.52l	10.0762	5.1868	7.3422
		16.52t	10.0762	5.1868	7.3422
Denmark	(Danish Kroner)	12.3950	7.5602	3.8916	5.5088
Djibouti Rep	(Djib Fr)	300.00	182.9826	94.1915	133.3333
Dominica	(E Carrib $)	4.4361	2.7057	1.3928	1.9716
Dominican Rep	(D Peso)	10.5316	6.4236	3.3066	4.6807
Ecuador	(Sucre)	748.43o	456.4989	234.9858	332.6355
		901.73a	550.0030	283.1177	400.7688
Egypt	(Egyptian £)	4.164	2.5397	1.3073	1.8506
El Salvador	(Colon)	8.1975	5	2.5737	3.6433
Equat'l Guinea	(CFA Fr)	538.00	328.1488	168.9167	239.1111
Ethiopia	(Ethiopian Birr)	3.3743	2.0581	1.0594	1.4996
Falkland Is	(Falk £)	1.00	0.6099	0.3139	0.4444
Faroe Is	(Danish Kroner)	12.3850	7.5541	3.8885	5.5044
Fiji Is	(Fiji $)	2.4265	1.4800	0.7618	1.0784
Finland	(Markka)	7.0960	4.3281	2.2279	3.1537
France	(Fr)	10.7600	6.5629	3.3783	4.7822
Fr. Cty/Africa	(CFA Fr)	538.00	328.1488	168.9167	239.1111
Fr. Guiana	(Local Fr)	10.7600	6.5629	3.3783	4.7822
Fr. Pacific Is	(CFP Fr)	191.00	116.4989	59.9686	84.8888
Gabon	(CFA Fr)	538.00	328.1488	168.9167	239.1111
Gambia	(Dalasi)	10.4331	6.3635	3.2756	4.6369
Germany East	(Ostmark)	3.1850	1.9426	1	1.4155
Germany West	(DMark)	3.1850	1.9426	1	1.4155
Ghana	(Cedi)	431.59	263.2448	135.5070	191.8177
Gibraltar	(Gib £)	1.00	0.6099	0.3139	0.4444
Greece	(Drachma)	270.88	165.2211	85.0486	120.3911

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Greenland	(Danish Krone)	12.3950	7.5602	3.8916	5.5088
Grenada	(E Carr $)	4.4361	2.7057	1.3928	1.9716
Guadaloupe	(Local Fr)	10.7600	6.5629	3.3783	4.7822
Guam	(US $)	1.6395	1	0.5147	0.7286
Guatemala	(Quetzal)	4.5168	2.7549	1.4181	2.0074
Guinea	(Fr)	492.90	300.6404	154.7566	219.0666
Guinea-Bissau	(Peso)	1067.95	651.3876	335.3061	474.6444
Guyana	(Guyanese $)	49.14	29.9725	15.4285	21.8400
Haiti	(Gourde)	8.2150	5.0106	2.5792	3.6511
Honduras	(Lempira)	3.2790	2	1.0295	1.4573
Hong Kong	(HK $)	12.7425	7.7721	4	5.6633
Hungary	(Forint)	101.9125	62.1607	31.9976	45.2944
Iceland	(Icelandic Krona)	90.88	55.4315	28.5337	40.3911
India	(Indian Rupee)	27.00	16.4684	8.4772	12
Indonesia	(Rupiah)	2931.3	1787.9231	920.3453	1302.8000
Iran	(Rial)	120.00	73.1930	37.6766	53.3333
Iraq	(Iraqi Dinar)	0.5166	0.3150	0.1621	0.2296
Irish Rep	(Punt)	1.1900	0.7258	0.3736	0.5288
Israel	(Shekel)	3.09	1.8847	0.9701	1.3733
Italy	(Lira)	2313.25	1410.9484	726.2951	1028.1111
Ivory Coast	(CFA Fr)	538.00	328.1488	168.9167	239.1111
Jamaica	(Jamaican $)	8.89	5.4223	2.7912	3.9511
Japan	(Yen)	225.00	137.2369	70.6436	100
Jordan	(Jordanian Dinar)	0.8733	0.5326	0.2741	0.3881
Kampuchea	(Riel)	163.95	100	51.4756	72.8666
Kenya	(Kenya Shilling)	32.60	19.8841	10.2354	14.4888
Kiribati	(Australian $)	2.1055	1.2842	0.6610	0.9357
Korea North	(Won)	1.5937	0.9720	0.5003	0.7083
Korea South	(Won)	1104.08	673.4248	346.6499	490.7022
Kuwait	(Kuwaiti Dinar)	0.4788	0.2920	0.1503	0.2128
Laos	(New Kip)	706.49	430.9179	221.8178	313.9955
Lebanon	(Lebanese £)	839.10	511.8023	263.4536	372.9333
Lesotho	(Maluti)	4.3645	2.6620	1.3703	1.9397
Liberia	(Liberian $)	1.6395	1	0.5147	0.7286
Libya	(Libyan Dinar)	0.4932	0.3008	0.1548	0.2192
Liechenstein	(Swiss Fr)	2.8500	1.7383	0.8948	1.2666
Luxembourg	(Lux Fr)	66.65	40.6526	20.9262	29.6222
Macao	(Pataca)	13.2142	8.0598	4.1488	5.8729
Madeira	(Port Escudo)	262.80	160.2927	82.5117	116.8000
Malagasy Rep	(MG Fr)	2469.0	1505.9469	775.1962	1057.3333
Malawi	(Kwacha)	4.46	2.7203	1.4003	1.9822
Malaysia	(Ringgit)	4.4160	2.6935	1.3864	1.9626
Maldive Is	(Rufiya)	13.8176	8.4279	4.3383	6.1411
Mali Rep	(CFA Fr)	538.00	328.1488	168.9167	239.1111
Malta	(Maltese £)	0.57	0.3476	0.1789	0.2333
Martinique	(Local Fr)	10.7600	6.5629	3.3783	4.7822
Mauritania	(Ouguiya)	123.225	75.1601	38.6891	54.7666
Mauritius	(Maur Rupee)	24.655	15.0381	7.7409	10.9577
Mexico	(Mexican Peso)	4015.96a	2449.5028	1260.8979	1784.8711
		3943.20d	2405.1235	1238.0533	1752.5333
Miquelon	(Local Fr)	10.7600	6.5629	3.3783	4.7822
Monaco	(French Fr)	10.7600	6.5629	3.3783	4.7822
Mongolia	(Tugrik)	5.5131	3.3626	1.7309	2.4502
Montserrat	(E Carr $)	4.4361	2.7057	1.3928	1.9716
Morocco	(Dirham)	13.7634	8.3948	4.3213	6.1170
Mozambique	(Metical)	1186.49	723.6901	372.5243	527.3288
Namibia	(S A Rand)	4.3645	2.6620	1.3703	1.9397
Nauru Is	(Australian $)	2.1055	1.2842	0.6610	0.9357
Nepal	(Nepalese Rupee)	39.432	24.0512	12.3805	17.5253
Netherlands	(Guilder)	3.5875	2.1881	1.1263	1.5944
N'nd Antilles	(A/Guilder)	2.9574	1.8038	0.9285	1.3144
New Zealand	(NZ $)	2.6905	1.6410	0.8447	1.1957
Nicaragua	(Cordoba)	11312.0	6899.6645	3551.6483	5027.5555
Niger Rep	(CFA Fr)	538.00	328.1488	168.9167	239.1111
Nigeria	(Naira)	12.1582	7.4157	3.8173	5.4036
Norway	(Nor. Krone)	11.4925	7.0097	3.6083	5.1077
Oman	(Rial Omani)	0.6306	0.3846	0.1979	0.2802
Pakistan	(Pak. Rupee)	34.50	21.0430	10.8320	15.3333
Panama	(Balboa)	1.6395	1	0.5147	0.7286
Papua New Guinea	(Kina)	1.4150	0.8630	0.4442	0.6288
Paraguay	(Guarani)	-			
		1721.48a	1050.0030	540.4960	765.1022

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Peru	(Inti)	-			
		4079.07a	2487.9963	1280.7127	1812.9200
Philippines	(Peso)	35.50	21.6529	11.1459	15.7777
Pitcairn Is	(£ Sterling)	1.00	0.6099	0.3139	0.4444
	(NZ $)	2.6905	1.6410	0.8447	1.1957
Poland	(Zloty)	1195.29	729.0576	375.2872	531.2400
Portugal	(Escudo)	262.80	160.2927	82.5117	116.8000
Puerto Rico	(US $)	1.6395	1	0.5147	0.7286
Qatar	(Riyal)	5.9657	3.6387	1.8730	2.6514
Reunion Is. de la	(F Fr)	10.7600	6.5629	3.3783	4.7822
Romania	(Leu)	14.781	9.0149	4.6405	6.5688
Rwanda	(Fr)	132.85	81.0308	41.7111	59.0444
St Christopher	(E Carr $)	4.4361	2.7057	1.3928	1.9716
St Helena	(£)	1.00	0.6099	0.3139	0.4444
St Lucia	(E Carr $)	4.4361	2.7057	1.3928	1.9716
St Pierre	(French Fr)	10.7600	6.5629	3.3783	4.7822
St Vincent	(E Carr $)	4.4361	2.7057	1.3928	1.9716
San Marino	(Italian Lira)	2313.25	1410.9484	726.2951	1028.1111
Sao Tome	(Dobra)	167.7569	102.3219	52.6709	74.5586
Saudi Arabia	(Riyal)	6.1450	3.7480	1.9293	2.7311
Senegal	(CFA Fr)	538.00	328.1488	168.9167	239.1111
Seychelles	(Rupee)	9.75	5.9469	3.0612	4.3333
Sierra Leone	(Leone)	103.195	62.9429	32.4003	45.8644
Singapore	($)	3.2143	1.9605	1.0091	1.4285
Solomon Is	($)	3.733	2.2769	1.1720	1.6591
Somali Rep	(Shilling)	366.00	223.2387	114.9136	162.6666
South Africa	(Rand)	4.3645c	2.6620	1.3703	1.9397
		6.7065g	4.0905	2.1056	2.9806
Spain	(Peseta)	198.25	120.9210	62.2448	88.1111
Spanish Ports in N Africa	(Sp Peseta)	198.25	120.9210	62.2448	88.1111
Sri Lanka	(Rupee)	58.00	35.3766	18.2103	25.7777
Sudan Rep	(£)	7.3935	4.5096	2.3213	3.2860
Surinam	(Guilder)	2.9328	1.7888	0.9208	1.3034
Swaziland	(Lilangeni)	4.3645	2.6620	1.3703	1.9397
Sweden	(Krona)	10.7425	6.5523	3.3728	4.7744
Switzerland	(Fr)	2.8500	1.7383	0.8948	1.2666
Syria	(£)	34.503	21.0448	10.8329	15.3346
Taiwan	($)	42.35	25.8310	13.2967	18.8222
Tanzania	(Shilling)	227.20	138.5788	71.3343	100.9777
Thailand	(Baht)	43.50	26.5324	13.6577	19.3333
Togo Rep	(CFA Fr)	538.00	328.1488	168.9167	239.1111
Tonga Is	(Pa Anga)	2.1055	1.2842	0.6610	0.9357
Trinidad/Tobago	($)	6.9828	4.2591	2.1924	3.1034
Tunisia	(Dinar)	1.6062	0.9796	0.5043	0.7138
Turkey	(Lira)	3415.35	2083.1655	1072.3233	1517.9333
Turks & Caicos	(US $)	1.6395	1	0.5147	0.7286
Tuvalu	(Australian $)	2.1055	1.2842	0.6610	0.9357
Uganda	(New Shilling)	335.3614	204.5510	105.2940	149.0495
U A E	(Dirham)	6.0178	3.6705	1.8894	2.6745
United Kingdom	(£)	1.00	0.6099	0.3139	0.4444
United States	(US $)	1.6395	1	0.5147	0.7286
Uruguay	(Peso)	892.71	544.5013	280.2857	396.7600
USSR	(Rouble)	1.0605	0.6468	0.3329	0.4713
Vanuatu	(Vatu)	175.27	106.9045	55.0298	77.8977
Vatican	(Lira)	2313.25	1410.9484	726.2951	1028.1111
Venezuela	(Bolivar)	60.40	36.8405	18.9638	26.8444
Vietnam	(Dong)	7393.5	4509.6065	2321.3500	3286
Virgin Is-British	(US $)	1.6395	1	0.5147	0.7286
Virgin Is-US	(US $)	1.6395	1	0.5147	0.7286
Western Samoa	(Tala)	3.62	2.2079	1.1365	1.6088
Yemen	(Rial)	16.70	10.1860	5.2433	7.4222
Yemen PDR	(Dinar)	0.5635	0.3437	0.1769	0.2504
Yugoslavia	(Dinar)	17000.0	10369.0149	5337.5196	7555.5555
Zaire Rep	(Zaire)	578.75	353.0039	181.7111	257.2222
Zambia	(Kwacha)	16.80	10.2470	5.2747	7.4666
Zimbabwe	($)	3.365	2.0524	1.0565	1.4955

Special Drawing Rights May 12 1989 United Kingdom £0.768969 United States $1.27818 Germany West D Mark 2.45091 Japan Yen173.321 European Currency Unit Rates May 15 1989 United Kingdom £N/A United States $N/A Germany West D Mark N/A Japan YenN/A

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate;
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 01 634 4360/5.
Monday, May 15, 1989.

INTERNATIONAL CAPITAL MARKETS

Index participation debate moves to Illinois courts

By Katharine Campbell

INDEX participations (IPs), the controversial equity derivatives caught up in a legal dispute concerning securities and futures regulators in Washington, finally started trading on two American exchanges at the end of last week.

On Friday the Securities & Exchange Commission, the US federal securities regulator, lifted a month-long stay order allowing the Philadelphia Stock Exchange and the American Stock Exchange to proceed with the launch of their similar IPs.

But the battles to overturn the decision and banish the contracts are only just beginning.

The Chicago Mercantile Exchange and the Chicago Board of Trade, which trade competing stock index futures products, are seeking a further stay from the seventh circuit Court of Appeal in Illinois. The court has requested the SEC to make its case against the stay by noon today.

The argument revolves around whether IPs should be deemed as securities or futures, and is complicated by the lack of any concrete legal definition of what a future is in the Commodity Futures Trading Commission's enabling act.

If IPs are held to be securities they fall under the jurisdiction of the SEC; if they are futures, as the Chicago exchanges and the CFTC itself say, they are within the ambit of the CFTC.

Index participations are essentially investment vehicles that reflect the current value of baskets of stock or stock indices, available in small enough parcels to be attractive to non-professionals. They can be settled for cash or alternatively, as in the case of the Amex, for physical stock.

Mr Nicholas Giordano, president of the Philadelphia Stock Exchange said: "IPs are designed to bring the individual investor back to the stock market."

In many senses IPs resemble stocks as they can be held indefinitely and pay quarterly dividends. But they have some characteristics of stock index futures too.

Ms Mary Schapiro, an SEC commissioner, admits the distinction is a fine one. "I do believe they are securities," she said, "but reasonable people can argue the case the other way."

All new products to be introduced on US exchanges have to go through an extensive vetting process in Washington before they are approved. The SEC heard arguments from a host of industry participants before issuing an order approving the contracts in mid-April.

Unusually, the commission quickly granted a stay giving the Chicago exchanges and others a further chance to put their arguments against the order. Now that the SEC has lifted the stay, it is up to the CME to try its luck in the Court of Appeal.

The regulatory turf between the SEC and the CFTC has always been a disputed patch. In 1982 the so-called Shad Johnson accord was drawn up, an attempt by the then heads of the two agencies, John Shad at the SEC and Philip Johnson at the CFTC, to clarify the demarcation lines between the two agencies.

But the derivatives industry has moved on apace in the last seven years, and some would argue the accord needs rethinking.

Trading on both exchanges was off to a mixed start on Friday. On the Amex, 42,595 participations of their equity IPs based on the S&P 500 index were traded, or an equivalent underlying value of about $133.8m.

In Philadelphia, some 54,000 cash IPs or an equivalent value of $1.7m, also based on the S&P 500 index, changed hands. The blue chip index trade amounted to just $11,925.

NMB to acquire bank unit in Belgium

NEDERLANDSCHE Middenstandsbank (NMB), the big Dutch bank, is to acquire the Belgian banking operations of the Royal Bank of Canada, AP-DJ reports.

Royal Bank of Canada (Belgium) is a full service bank with branches in Brussels and Antwerp. Its name will be changed to NMB Bank (Belgium) after the transaction.

The acquisition gives NMB direct entrance into the Belgian market. NMB said it was keen to utilise Royal Bank's Antwerp office for trade financing and to beef up its Dutch/Belgian cross-border business.

The Dutch bank said: "We believe there are good opportunities for us in Belgium and we are looking forward to expanding by marketing our niche services in the Belgian market."

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on May 15

US DOLLAR STRAIGHTS — YEN STRAIGHTS — OTHER STRAIGHTS — DEUTSCHE MARK STRAIGHTS — FLOATING RATE NOTES — SWISS FRANC STRAIGHTS — CONVERTIBLE BONDS

INTERNATIONAL CAPITAL MARKETS

Treasuries retreat slightly ahead of inflation data

By Janet Bush in New York and Katharine Campbell in London

US TREASURY bonds closed marginally lower yesterday, underpinned by a surging dollar but cautious in the wake of its 2¾ point rise last Friday and in advance of this week's meeting of the Federal Open Market Committee and Thursday's April consumer prices release.

In late trading, the short end of the yield curve was slightly weaker, with some issues ⅛ point lower with the long end around ⅛ point easier. The Treasury's benchmark long bond was quoted ⅛ point lower for a yield of 8.835 per cent.

Last Friday, the yield curve between two-year bonds and the 30-year bonds went positive for the first time since early December on renewed optimism that the US Federal Reserve was managing a soft landing for the economy. Yesterday, the curve inverted slightly once again, signalling a more cautious attitude. The yield on the 9.25 per cent 1991 bond was quoted at 8.89 per cent compared with 8.835 per cent on the long bond.

Some retracement of gains in the short end was to be expected given that short bonds had clearly started signalling an easing move by the Fed. The FOMC meets today and some market participants, judging by Friday's substantial rally on the smaller-than-expected increase in producer prices in April, believe that the central bank could ease policy.

There is still doubt that a move could come so soon. Although industrial production and capacity utilisation figures released yesterday provided more evidence of a slowing economy, the deceleration is by no means dramatic.

Industrial production rose 0.4 per cent in April and capacity utilisation rose 0.2 per cent to 83.9 per cent. However, both were revised downwards to first-quarter data.

There is a substantial body of opinion that believes that the Fed will maintain a no-change policy given that inflation remains well above 5 per cent and economic growth above an annual 2.5 per cent.

Trading is likely to remain cautious while traders look for any policy hints from the FOMC and settle into the wait for Thursday's consumer prices figures for April, which are expected to show a rise of 0.5 per cent to 0.6 per cent.

GOVERNMENT BONDS

WITH MOST European markets closed for the Whitsun holiday, turnover in UK gilt-edged securities was subdued and traders were largely concentrating on domestic economic data to be released later in the week.

On Liffe, the June futures contract ended at 95-15, a ¾ point lower than on Friday, on the back of currency nervousness.

The transport strike may not have unduly impeded dealers' progress to work, but it certainly served as a reminder of the threat of rising wage costs, which is now emerging as a significant factor in gauging inflationary pressures.

The March average earnings figures for March are awaited with trepidation. Market consensus is for a 9.25 per cent increase, unchanged on February, but ¼ per cent higher than this time last year.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/02	108-31	-1/32	10.95	10.95	11.10
		9.750	1/98	97-04	-4/32	10.25	10.24	10.33
		9.000	10/08	97-16	-8/32	9.26	9.28	9.34
US TREASURY *		8.875	2/99	100-05	-3/32	8.85	9.02	9.21
		8.875	2/19	100-10	-3/32	8.84	8.98	9.05
JAPAN	No 111	4.600	6/98	95.2855	-0.086	5.36	5.26	5.18
	No 2	5.700	3/07	105.0040	-0.100	5.07	5.07	4.98
GERMANY		6.375	11/98	95.3000	-0.350	7.05	6.97	6.88
FRANCE	BTAN	8.000	1/94	95.3600	-0.125	9.06	8.84	8.86
	OAT	8.125	5/99	95.3500	-0.075	8.84	8.74	8.86
CANADA *		10.250	12/98	102.2500	-0.050	9.88	9.96	10.41
NETHERLANDS		6.7500	10/98	95.7250	-0.250	7.39	7.22	7.08
AUSTRALIA		12.000	7/99	92.6000	+0.200	13.33	13.34	13.74

London closing. *denotes New York close
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal
Technical Data/ATLAS Price Sources

Nordic auditing firm links with KPMG

By Richard Waters

THE auditors of the overseas operations of Volvo and Alfa-Laval, along with a string of other prominent Swedish companies, are about to change following the latest in a spate of shifting alliances in the Swedish accountancy world.

Bohlins, the country's third largest accountancy firm and joint auditor of some of its largest companies, announced its intention at the end of last week to join KPMG, the world's largest accountancy group.

Swedish companies must by law be audited by two accountancy firms.

KPMG offices will take on the overseas audit work for Bohlins' clients from Deloitte Haskins & Sells, another of the large accountancy groups.

Bohlins said it intended to remain a member of the Deloitte network as well as joining KPMG. However, the Deloitte executive board, meeting later this week, is expected to expel the renegade Swedish firm.

KPMG's gain follows the loss earlier this year of Reveko, its former member firm in Sweden, which merged with Ohrlings, itself a member of the international Coopers & Lybrand group.

Bergesen to raise $150m in five-year facility

By Norma Cohen

BERGESEN, THE Norwegian shipping company, is raising $150m through a five-year revolving credit facility arranged by Manufacturers Hanover Trust.

This is the company's first unsecured long-term financing in the Euromarkets. Terms were not disclosed.

● IMI Bank has established a $250m Euro medium-term note programme issuing securities with maturities from nine months to 10 years.

The programme is being arranged by Merrill Lynch International.

Notes will be issued on either a fixed- or floating-rate basis or in zero-coupon form with a multi-currency option.

Securities are guaranteed by Istituto Mobiliare Italiano, Italy's largest medium- and long-term credit institution.

● The Australian Wheat Board has mandated National Westminster Bank to arrange a £100m commercial paper programme.

The programme follows changes made in the UK's 1989 Budget, allowing overseas quasi-public bodies to issue this type of security. The programme is rated A-1+/P-1.

● Bowthorpe Holdings has mandated Midland Montagu to arrange a £100m multi-option facility comprising a £100m uncommitted tender panel and a £50m committed standby facility. The facility term is five years and proceeds will be used for general corporate purposes.

Mito Europe in Seaq move

By Our Euromarkets Staff

MITO EUROPE, a subsidiary of the Japanese securities house, yesterday began market making in 30 Japanese stocks on Seaq International, the London Stock Exchange's automatic quotation system.

This brings to 22 the number of houses making markets in Japanese stocks, and to 52 the number of market makers on the 700-stock system.

New-issue activity on hold as dollar surge continues

By Norma Cohen

EUROBOND market activity hit a lull yesterday with European centres closed for the Whitsun holiday. What investor interest remained was fixed on the currency markets, where the dollar rose to a 2½-year high.

The strength of the US currency, however, has not been translated into heavy demand for new Eurobonds, although dealers had reported brisk secondary market activity during a stunning rally last Friday.

Yesterday, a bout of profit-taking pared some of the rally's gains and the Eurobond market kept pace with the tone in the Treasuries market. New issues launched in the heat of the rally last Friday were for Australian dollar and sterling securities rather than the US currency.

A new-issues manager at one US firm, noting that in the last rally of dollar-denominated bonds gains were suddenly and unexpectedly reversed by the Bundesbank's decision to raise short-term interest rates, said: "Underwriters prefer to launch into stability."

INTERNATIONAL BONDS

Among the new issues launched on Friday was a £300m mortgage-backed floating-rate bond for MAES Funding Number 2, a special-purpose vehicle created by J.P. Morgan. The vehicle owns mortgages originated by CIBC UK Mortgages.

Unlike most of the UK mortgage-backed securities, which have an average life of seven years, the latest notes have an average life of two years. They also carry a narrower spread over Libor of 15 basis points against a 20 basis point spread offered on the last issue of mortgage-backed notes.

There is a "step-up" provision to a 50 basis point spread after four years if the notes have not fully matured, far earlier than the step-up after 10 years offered by previous issues of similar securities.

Dealers said that Barclays Bank was expected this week to make its long-awaited offer of £175m of mortgage-backed notes supported by home loans removed from its own balance sheet. Strong investor interest suggests these securities may also carry a spread narrower than 20 basis points over Libor.

There has been a dearth of sterling mortgage-backed securities this year – in spite of strong investor demand for floating-rate assets in that currency.

Salomon to launch Chile fund

By Barbara Durr in Santiago

SALOMON Brothers, the New York investment bank, is to launch a $60m investment fund for Chile, according to Chilean Finance Ministry officials in Santiago.

The Chile Fund will be listed on the New York Stock Exchange. It is designed to attract fresh capital rather than use converted debt paper for investment in the Chilean stock market.

The move follows similar investment funds created by Salomon for Thailand, Brazil and South Korea.

Last year, Midland Bank, in association with several other international banks and the International Finance Corporation, the private wing of the World Bank, began an investment fund in Chile based on converted debt obligations.

Inverchile, the Chilean investment company handling this fund, said that in its first nine months it had gathered a portfolio worth 10 to 15 per cent more than the face value of the converted debt. Midland Bank and Inverchile are understood to be working on a second, similar fund.

Genesis Investment Management, the British investment company, is also looking at the possibility of an investment fund. Genesis is a subsidiary of American International Group, the insurance concern.

The Chilean stock market has risen more than 46 per cent this year largely as a result of expected participation by Chile's private pension funds. Legislation widening their stock market participation was approved this week.

Australian approval sought for Instinet

REUTERS Australia is seeking approval to introduce the Instinet equities screen trading service in Australia, according to application documents released by Reuters, the international business information network, and the National Companies and Securities Commission, the agency reports.

The NCSC will analyse responses and frame a recommendation to the joint federal-state ministerial council which oversees company and securities law.

Reuters has applied under the securities industry code for Instinet Australia (IAL) to act as an exempt stock market. It proposes that the existing Instinet service be allowed to operate immediately in Australia for screen trading of US and UK equities and that IAL then join the Australian Stock Exchange (ASE) before offering brokerage of ASE stocks.

Mr Henry Bosch, NCSC chairman, said: "Instinet and services like it have the potential to change the structure of the Australian equities market." Therefore the NCSC felt that securities industry comments should be sought before it framed a recommendation.

The NCSC believed Instinet's operations would be in the public interest, provided level playing fields were maintained. It proposed arbitration and surveillance conditions.

However, Reuters said in response that these conditions were not appropriate to Instinet's role as a broker.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section	Monday May 15 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Fri May 12 Index No.	Thu May 11 Index No.	Wed May 10 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (207)	972.87	+0.8	10.47	3.98	11.75	11.91	964.99	953.92	958.03	752.02
2	Building Materials (29)	1226.69	+1.5	11.70	4.17	10.47	17.57	1208.13	1192.62	1199.97	970.37
3	Contracting, Construction (38)	1690.85	+0.2	13.31	4.15	9.83	28.37	1686.88	1681.26	1690.11	1546.76
4	Electricals (10)	2845.10	-0.2	8.33	4.26	14.64	25.01	2851.62	2832.55	2842.69	2825.87
5	Electronics (30)	2241.78	+1.1	8.49	2.99	15.25	13.93	2217.36	2183.35	2198.83	1609.68
6	Mechanical Engineering (54)	522.72	+0.7	10.06	3.91	12.22	7.37	519.30	514.12	516.40	387.00
8	Metals and Metal Forming (7)	550.41	+0.4	14.16	5.43	8.00	0.43	548.04	542.69	542.46	444.35
9	Motors (17)	320.20	+0.3	11.49	4.74	10.17	6.44	319.38	317.19	317.91	268.34
10	Other Industrial Materials (22)	1630.06	+0.8	9.23	4.16	12.95	24.98	1617.82	1595.13	1602.43	1238.57
21	CONSUMER GROUP (185)	1214.53	+0.4	8.94	3.63	14.02	9.41	1209.39	1197.31	1201.79	1055.72
22	Brewers and Distillers (22)	1333.06	+0.2	9.94	3.51	12.69	9.92	1329.75	1319.93	1334.93	1097.82
25	Food Manufacturing (20)	1043.44	+0.4	9.68	3.96	13.00	11.32	1039.08	1035.06	1036.11	898.35
26	Food Retailing (15)	2192.08	—	8.47	3.30	15.54	16.14	2190.92	2163.42	2157.55	2008.41
27	Health and Household (14)	2256.74	+1.0	6.36	2.59	17.91	14.41	2233.59	2214.62	2229.66	1782.29
29	Leisure (33)	1647.13	+0.2	7.52	3.30	16.69	15.53	1644.53	1635.07	1647.59	1281.00
31	Packaging & Paper (15)	577.92	+0.1	10.06	4.21	12.52	6.99	577.25	574.73	577.05	490.30
32	Publishing & Printing (18)	3583.00	+0.7	9.16	4.51	13.69	43.67	3559.19	3539.23	3555.56	3330.49
34	Stores (33)	814.36	+0.2	10.97	4.39	11.93	1.98	812.78	791.53	787.99	808.28
35	Textiles (15)	527.74	+0.8	11.78	5.37	10.32	6.31	523.57	524.67	526.95	584.33
40	OTHER GROUPS (95)	1103.25	+0.9	9.89	4.04	12.28	9.85	1093.71	1081.96	1081.62	862.89
41	Agencies (18)	1363.61	+1.8	6.78	2.40	18.44	14.30	1339.97	1329.00	1317.45	1113.35
42	Chemicals (22)	1242.77	+0.5	11.39	4.75	10.38	22.54	1236.20	1227.33	1233.68	985.98
43	Conglomerates (12)	1611.43	+0.7	9.85	4.37	11.82	5.37	1599.67	1581.38	1572.94	1159.78
45	Transport (13)	2446.18	+0.9	8.10	3.52	16.01	20.16	2425.36	2393.37	2391.68	1897.63
47	Telephone Networks (2)	1147.07	+0.6	10.23	4.09	12.70	0.00	1140.16	1120.66	1117.78	952.91
48	Miscellaneous (28)	1483.07	+1.4	10.55	3.99	10.76	21.65	1462.47	1457.85	1467.78	1111.19
49	INDUSTRIAL GROUP (487)	1142.74	+0.7	9.64	3.84	12.81	10.45	1135.23	1123.17	1126.27	934.53
51	Oil & Gas (13)	2015.99	+0.3	10.40	5.51	12.79	41.99	2009.72	1989.16	1988.68	1799.28
59	500 SHARE INDEX (500)	1217.17	+0.6	9.74	4.06	12.81	13.02	1209.70	1196.92	1199.76	1007.61
61	FINANCIAL GROUP (123)	759.54	+0.7	—	5.00	—	14.74	754.50	748.78	752.07	664.56
62	Banks (8)	762.41	+0.6	23.45	6.27	5.60	21.71	758.09	748.26	754.01	621.34
65	Insurance (Life) (8)	1077.08	+0.5	—	5.54	—	29.86	1072.19	1064.48	1067.38	966.25
66	Insurance (Composite) (7)	601.09	+0.7	—	5.70	—	13.65	596.78	594.93	597.48	529.36
67	Insurance (Brokers) (7)	992.36	+3.3	8.07	6.36	16.59	27.06	960.41	960.29	965.77	910.65
68	Merchant Banks (11)	332.67	—	—	4.53	—	3.70	332.56	332.72	334.37	343.33
69	Property (52)	1343.69	+0.8	3.98	2.69	21.51	6.77	1333.42	1323.91	1325.12	1161.05
70	Other Financial (30)	375.24	+0.3	9.91	5.59	12.75	4.03	374.06	372.94	374.29	377.60
71	Investment Trusts (72)	1167.97	+1.1	—	2.74	—	8.37	1155.81	1145.58	1143.07	861.88
81	Mining Finance (2)	653.47	-0.5	9.49	3.98	11.75	10.45	656.61	651.51	653.73	468.66
91	Overseas Traders (8)	1383.25	—	10.10	5.09	11.44	30.41	1383.43	1363.86	1355.74	1031.68
99	ALL-SHARE INDEX (705)	1105.75	+0.6	—	4.17	—	13.35	1099.00	1087.94	1090.61	916.75

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	May 12	May 11	May 10	May 9	May 8	Year ago
FT-SE 100 SHARE INDEX‡	2149.9	+14.2	2153.6	2145.2	2135.7	2110.6	2117.0	2125.1	2119.6	1776.6

FIXED INTEREST

	PRICE INDICES	Mon May 15	Day's change %	Fri May 12	xd adj. today	xd adj. 1989 to date
	British Government					
1	5 years	118.29	+0.02	118.27	—	4.41
2	5-15 years	133.80	-0.07	133.89	—	4.62
3	Over 15 years	145.14	-0.05	145.21	—	5.92
4	Irredeemables	168.35	+0.48	167.56	—	6.10
5	All stocks	131.51	-0.03	131.55	—	4.78
	Index-Linked					
6	5 years	134.22	+0.12	134.06	—	1.36
7	Over 5 years	133.82	+0.02	133.79	—	1.28
8	All stocks	133.73	+0.03	133.69	—	1.27
9	Debentures & Loans	115.08	-0.03	115.11	—	3.80
10	Preference	89.14	+0.06	89.88	—	2.05

	AVERAGE GROSS REDEMPTION YIELDS		Mon May 15	Fri May 12	Year ago (approx.)
	British Government				
1	Low	5 years	9.56	9.61	8.62
2	Coupons	15 years	9.21	9.24	9.13
3		25 years	9.03	9.07	8.97
4	Medium	5 years	10.64	10.62	9.11
5	Coupons	15 years	9.65	9.64	9.33
6		25 years	9.22	9.22	9.15
7	High	5 years	10.76	10.74	9.20
8	Coupons	15 years	9.87	9.86	9.49
9		25 years	9.40	9.40	9.22
10	Irredeemables	†	9.03	9.07	8.91
	Index-Linked				
11	Inflation rate 5%	5yrs.	3.52	3.55	2.58
12	Inflation rate 5%	Over 5 yrs.	3.58	3.58	3.76
13	Inflation rate 10%	5yrs.	2.63	2.67	1.61
14	Inflation rate 10%	Over 5 yrs.	3.42	3.42	3.60
15	Debs &	5 years	12.13	12.26	10.41
16	Loans	15 years	11.56	11.54	10.67
17		25 years	11.13	11.11	10.71
18	Preference	†	10.19	10.19	9.68

‡Opening index 2147.4; 10 am 2149.9; 11 am 2147.4; Noon 2149.6; 1 pm 2151.6; 2 pm 2153.0; 3 pm 2147.1; 4 pm 2147.9; 4.05 pm 2148.1 (a) 2.09pm (b) 9.20am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	20	61	26
Corporations, Dominion and Foreign Bonds	3	8	32
Industrials	518	239	820
Financial and Properties	276	73	307
Oils	33	19	45
Plantations	7	0	5
Mines	61	32	84
Others	144	33	79
Totals	1,062	465	1,398

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. date	1989 High	1989 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
$100	F.P.	-	106	102	Abtrust New Dawn Inv. Tst.	103	-2	-	-	-	-
-	F.P.	-	60	50	Do. Warrants	60		-	-	-	-
§57	F.P.	-	71	60	Amberley Group 2½p	63		bL5	3.4	3.2	11.6
$100	F.P.	-	125	108	Boxmore Intl. 10p	125		u5.2	1.9	5.5	12.1
♦	F.P.	-	6350	6100	CMB Packaging SA FFr15	6200	-63	W-	-	-	14.7
♦	F.P.	-	6100	5700	Do (¼ '89 Div Reg) FFr15	5800	-50	-	-	-	-
$100	F.P.	-	143	113	Capita Group	141	+1	u2.5	2.2	2.4	21.2
85	F.P.	-	96	84	Diamond Group Hldgs 5p	90		L1.13	4.7	1.7	17.1
♦	F.P.	-	110	78	Ex-Lands 10p	95xr	+2	0.5	-	0.7	-
♦	F.P.	-	101	61	Do. Warrants	74	+1	-	-	-	-
□100	F.P.	19/5	113	100	Fleming High Inc. Inv	113		b5.25	-	6.2	-
50	F.P.	-	54½	52	Gartmore Value Invs. 10p	54½		N3.79	-	9.3	-
50	F.P.	-	51½	50½	Do. Zero Div. Prf. 10p	50½		-	-	-	-
[illegible]											

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on Prospectus or other offical estimates for 1989. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on Prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ▼ Issued by tender. ♦ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ♦ Issued in connection with reorganisation merger or takeover. ‡ Allotment price. ‡ Unlisted securities market. ♦ Official London listing. □ Including warrants entitlement. * Third Market.

TRADITIONAL OPTIONS

● First Dealings May 15
● Last Dealings May 26
● Last Declarations Aug 10
● For settlement Aug 21

For rate indications see end of London Share Service

Calls in Vista, Bula Res, Bue Tech, Tomkins, BSR, Medirace, Pericom, IMC, Davy Int, Rodime, Doniebrae, Sunleigh, Budgens, P&O Wrnts, Smith & Nephew, Regentcrest.

LONDON TRADED OPTIONS

HANSON came with a late run on the London Traded Options Market yesterday, to give overall dealings on the market a semblance of reaching lately established averages.

Dealings in the option contracts on the stock, which were no more than 1,716 at 2.30 p.m., ended at 3,733, consisting of 2,265 calls and 1,468 puts.

In the background to the Hanson dealings was a favourable market reaction to the profit and dividend announcements from the company, each showing a rise. The underlying price of the Hanson shares was up a further 3p on the day to 202p. Options traders reported some rolling forward of call positions in Hanson, as they did in British Steel, together with some profit-taking in Hanson.

Overall business in the options market came to 27,241 contracts, comprised in 19,683 calls and 7,558 puts.

Turnover in the FT-SE 100 Index option reached the modest total of 4,972 contracts, but still accounted for 18.3 per cent on overall business. There were 2,237 calls traded in the Index, and 2,735 puts. The Index itself *again reached its highest levels* since the Great Crash of October, 1987, to finish at 2,149.9, up 11.2 points on balance.

The most heavily traded Hanson option series was the May 200 call, on 945 contracts, but the day saw an opening of interest in the series of only 65 contracts to 6,614.

In the August 200 calls, there was turnover of 633 contracts and an opening of position of 11 to 3,726.

Closing of interest in the May 140 and August 180 calls, however, meant that there was an overall reduction in the number of exerciseable call contracts in the *stock of 156 to 23,954. The put* side saw 770 in the May 200s and 668 in the August 200s contributing to an opening of overall position of 1,138 to 12,016.

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Alld Lyons (*462)	420	43	35	66	5½	9½	13
	460	16	31	41	23	27	30
	300	55	15	23	52	55	60
Brit. Airways (*207)	180	29	32	40	2	3½	8
[illegible]							

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Storehouse (*169)	140	33	35	39	2	4	6
	160	16	20	25	6	10	13
	180	7	11	16	21	22	26
Trafalgar (*387)	360	30	43	50	7	13	20
[illegible]							

Option		Calls May	Calls Aug.	Calls Nov.	Puts May	Puts Aug.	Puts Nov.
Tesco (*171)	140	32	38	40	1	1	2½
	160	12	19	24	1	4½	6
	180	1	6½	11	10	12	13
Option		July	Sep.	Nov.	July	Sep.	Nov.
ASDA Grp.	160	21	24	27	5	5	8
[illegible]							

UK COMPANY NEWS

Time runs out for Minorco's Gold Fields bid

By Kenneth Gooding, Mining Correspondent

MINORCO, the South African-controlled investment company, last night seemed to have giveo up hope that its £3.5bn hostile offer for Consolidated Gold Fields, the UK diversified mining group, might be saved by way of a bid for Newmont Mining, biggest of the US gold producers.

Minorco and some analysts suggested that any bid for Newmont would probably have been announced early yesterday in view of the tight timetable.

The bid for Gold Fields must either be completed or allowed to lapse by midnight tomorrow.

However, other observers said there had been a recent flurry of activity which suggested a bid was being assembled for Newmont and that there was still time.

It is Newmont's application to a New York court which prevents Minorco completing its offer for Gold Fields even though Minorco owns or has acceptances for nearly 55 per cent of the UK group.

Gold Fields owns 49 per cent of Newmont. Minorco hoped that, by pledging that stake to a North American bidder, it could persuade the judge that US anti-trust problems had been dispelled and he would lift the injunction which prevents Minorco bnying any more Gold Fields shares.

There were further legal moves in New York yesterday. Minorco hopes they will lead to the injunction being removed but they are being fought by Newmont.

The judge is expected to give his ruling late today, New York time.

Jilted Budgens' shares fall 36p

By Nikki Tait

SHARES IN Budgens, the snpermarkets gronp which was left at the altar by William Low, its prospective bidder, on Friday - plunged 36p to 110p yesterday. Low, which has supermarkets and superstores in Scotland and the north of England, gained a relieved 17p at 269p.

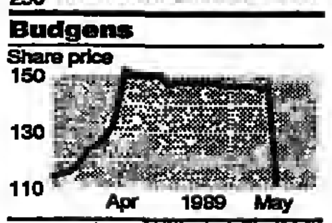
Yesterday, both sides remained tight-lipped about

William Low

Share price

Budgens

Share price



the reasons for calling off the recommended £134m offer. The only explanation ventured on Friday was a joint statement that "differences in expectations about the financing for the combined group" had become apparent.

It seems unlikely that any further clarification will be offered while the Takeover Panel looks more closely at the reasons why the deal fell apart - a process which is expected to run into next week at least.

However, Mr John Fletcher, Budgens chief executive, said yesterday that he was looking at the feasibility of advancing publication of the group's latest figures.

Bndgens has changed its year-end, from the end of December to the end of April. It has published two sets of interim figures to early July 1988 and the end of December, but its last published balance sheet was at end-1987. The 16-month figures were to be released in the first part of July.

Gateway 'ghost' attacked

By Nikki Tait

ISOSCELES, the newly-formed company which is waging a £1.73bn bid for Gateway, Britain's third largest food retailer, yesterday renewed its attack on its target's 'phantom share' incentive scheme, questioning both its extent and its cost in the event of success.

Gateway already has a number of conventional share option schemes whereby executives have been granted the right to subscribe for shares after a certain period.

Phantom schemes differ in that, instead of actually subscribing for shares at the relevant date, the employee is rewarded in cash by the company itself - although whether the bonus is paid still depends of the share price performance. They do not require shareholder approval.

The Gateway scheme was introduced in October, and the company confirmed yesterday that it covers over 250 people.

Yesterday, Isosceles said that the phantom scheme would appear to involve a direct cash payment by Gateway to senior executives in the event of a successful takeover, by providing for early exercise at 170p. Half the options become exercisable if the bid is successful at 195p and the full amount at 220p.

Isosceles argues that "it seems clear that the board of Gateway contemplated that an offer could succeed at a price of 195p" - the level at which it has pitched its own bid.

Isosceles is now asking what the cost of the scheme would be if there was a successful bid for Gateway, and why the company felt it necessary to bring in the scheme when it had existing options schemes - unless it believed that existing share options would never have value. It also questioned whether there had been any consultation with the institutional investment protection committees. Last night, Gateway refused to disclose the potential cost of the scheme

'Golden hold-fast' is the key to the maintenance of autonomy

Chillington gains a still-listed AEP

By John Thornhill

WHEN IS a takeover not a takeover? When the bidder offers to pay shareholders in the target company a special bonus, a "golden hold-fast", not to accept its offer.

This curious and somewhat convoluted financial arrangement has been introduced by Chillington Corporation, an enginaaring, plantation and trading company.

Chillington is effectively planning to buy out a major investor in Anglo-Eastern Plantations, a holding company for Indonesian Plantations, and acquire a majority stake in AEP itself without taking full ownership.

The deal is structured so that AEP will be able to continue operating as an independent company and retain its listing.

Chillington – which in conjunction with REA Holdings, a commodity trader, originally helped set up AEP in April 1985 – currently holds a 38.5 per cent stake in AEP.

For some months, it has heen negotiating with REA, which has a 38.9 per cent interest, about AEP's future structure, following the completion of AEP's initial project to develop the Tasik palm oil estate in Indonesia.

REA had indicated earlier this year that it might make a full takeover bid for AEP but dropped this plan after Chillington said it would not accept a proposed offer price of 94p.

Yesterday Chillington proposed to buy 2.5m AEP shares at 96p apiece. About 2.1m of these shares are to be bought from REA, which has also agreed to sell a further 3.7m shares, mainly to Hong Kong institutions. The effect of these transactions will be to reduce REA's holding in AEP to 4.9 per cent and to increase Chillington's stake to 52.2 per cent.

As a result of the increase in Chillington's holding, the company is obliged under Rule 9 of the Takeover Code to make an offer for the entire share capital of AEP. Bnt in order to ensure AEP's continued independence as a listed company it is offering AEP's shareholders a special payment of 6p a share to refuse the offer. REA, with its diminished 4.9 per cent interest, and institutions representing a further 31.5 per cent have agreed not to accept the offer.

Mr Konrad Legg, Chillington managing director, said AEP would be run as an independent company specialising in agricultural developments in Indonesia; following the offer, the majority of AEP's directors will be independent of Chillington. The main advantage of the deal would be to allow institutions to invest in a company which only had interests in the potentially fast-growing Indonesian economy, he said.

Chillington will also ask the board of AEP to make a one-for-five rights issue at 65p per share after the expiry of the offer. This issue will not be underwritten but Chillington and other institutional investors have agreed to subscribe for their full entitlements, representing 85 per cent.

After the completion of this proposed deal, AEP will be given the opportunity to buy Chillington's Javanese plantation interests, subject to the approval of AEP's independent shareholders.

AEP said yesterday it was seeking independent advice abont these proposals and would write to shareholders with its recommendations in due course.

● REA also announced yesterday that it was to acquire Wigglesworth, a natural-fibre trading company with interests in Africa, for £3.75m acquisition. It may use part of the money raised from the sale of the bulk of its holding in AEP to finance this deal, but REA has also said that it intended to reinvest some of the proceeds in plantation operations in Indonesia.

Expansion benefits help lift Kunick to £3.34m

By Clare Pearson

KUNICK, the USM-quoted health care and leisure group, lifted pre-tax profits by 78 per cent to £3.34m in the half-year to end-March as benefits of big projects begun in 1988 worked through. Earnings per share were 50 per cent higher at 1.92p, up from 1.28p.

The results were lifted by expansion of Goldsborough, the retirement and nursing homes division, as well as installations of Music Master, the compact disc jukebox, which got going in the second six months last year.

At Goldsborough, operating profits rose to £750,000 (£300,000). Fee income from home services increased by a third compared with the comparable period.

The first phase of the company's only sheltered housing development should come on sale later in the year.

Music Hire in the UK made £1.4m (£900,000) while Amiro, the French amusement machine importer and distributor, increased operating profits to £750,000 (£400,000) marking a recovery after the uncertain environment of the French elections.

Visitor attractions, comprising the London and York dungeons, pushed operating profits up to £350,000 (£200,000).

Amiro earlier this month bought Players Special Diffusion for up to £2.88m. The company has the sole French rights to distribute pinball tables for Williams.

Turnover came to £25.43m (£18.47m). Central charges were £100,000: these are expected to be covered by property profits in the second half. The interim dividend is fixed at 0.5p (0.4p).

● COMMENT

Kunick, which works on the principal that the leisure side throws up the cash to develop the care division, continues to inspire confidence. There should be lots more growth to come from the main activities over the next year or so, with the Goldshorough nursing home complex in Kensington coming on stream in 1990 while Amiro is poised to benefit from the introduction of Music Hire products in Europe. France may indeed prove an increasing focus of attention for the group following the Players purchase and in the light of plans, as yet unrealised, to develop a nursing home operation there. Assuming pre-tax profits this year are about £8m the shares stand on a p/e of about 13, but for a company that is, in Music Hire, achieving growth where the industry overall is flat, and whose profits are increasingly derived from nursing homes, the rating is not demanding.

Rechem profit near doubled to £8.75m

By Vanessa Houlder

ENLARGED capacity, increased prices and a growing market helped Rechem Environmental Services, toxic waste disposal group, nearly double pre-tax profits from £4.51m to £8.75m in the year to March 31. The result exceeded market expectations and the shares rose 32p to 566p.

Sales increased by 45.5 per cent to £19.47m (£13.38m). Net margins improved from 33.7 per cent to 44.9 per cent as a result of a 15 per cent price increase and a shift towards more profitable business.

The results reflect a full year's benefit from the installation of new gas scrubbing plant at the Pontypool site in October 1987, which increased capacity, particularly for the incineration of highly chlorinated waste.

Mr Malcolm Lee, managing director, said that the company had obtained verbal permission to build an incinerator complex at a site within the European Community, at a cost of £20m.

Capital expenditure is expected to run at £12.5m next year and £30m over the next three years. Rechem has nearly completed the expansion of its solids processing capacity at Pontypool. It has also approved plans to improve the efficiency of its Fawley plant at a cost of £7.7m.

Earnings per share increased by 90.8 per cent to 21.46p (11.25p). A final dividend of 6p (3p) was declared.

● COMMENT

Rechem's first year on the stockmarket has been a momentous one. The intensified concern for the environment, resulting from incidents such as the storm over the deadly Karin B cargo, have highlighted the value of a company able to deal safely with poisonous waste. This heightened awareness - soon to be enforced by legislation - has resulted in more companies opting for incineration rather than risking the potential long-term dangers of burying noxious material in the ground. At the same time, tougher environmental legislation will raise the barriers to entry, making any erosion of margins unlikely. For all these reasons, it is perhaps not surprising that Rechem's shares have enjoyed a seemingly inexorable rise from the placing price of 195p to close yesterday at 566p. Assuming pre-tax profits of £11.5m this year, that puts it on a p/e of 20 which, though demanding, is probably deserved by one of the purest environmental plays on the market.

Ogilvy board meets to vote on WPP offer

By Roderick Oram in New York

AFTER WRINGING an improved takeover offer and promises of autonomy from WPP, the board of Ogilvy Group met yesterday afternoon to vote on giving up the New York advertising agency's independence.

If Ogilvy accepts the latest offer from the UK marketing group, the merger would create a group vying with Saatchi & Saatchi as the world's largest supplier of advertising and related services.

WPP is believed to be offering about $54 to $55 per share, valuing Ogilvy at up to $808m.

Ogilvy had been fiercely opposed to a takeover when WPP made its initial offer of $45 per share two weeks ago. Its defence, at least publicly, mostly involved caustic comments by Mr David Ogilvy, the group's 77-year-old founder, about Mr Martin Sorrell, WPP chief executive.

The two men met over dinner Sunday evening amid signs that Mr Sorrell was turning his full persuasive powers on one of Madison Avenue's most famous innovators.

Mr Sorrell also promised, according to executives familiar with weekend negotiations, to retain Ogilvy's present management and keep the group separate from J Walter Thompson, the advertising agency won by WPP following a hostile takeover in 1987.

● As the prospect of a recommended offer for Ogilvy from WPP grew nearer, moves to get the funding for the bid in place were yesterday under way in London, writes Nikki Tait.

Under half the acquisition price is expected to come from an issue of convertible preference shares, and attempts were in progress to form a "core group" of investors to take a substantial part of the issue.

Somewhere between a dozen and twenty institutions are believed to have been approached and although legal commitments have not been given, one adviser described the group as "ready to go at short notice."

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Cakebread Robey ....fin	3.3	-	3	4.1	3.8
Chelsea Artisans....fin	1♦	-	1	1	1
Crystalate Hdgs ....int	2.2	July 31	2.1	-	6
Govett Am Endeav...fin	9★	-	-	15.75‡	-
Henson ....int	2.5ᵡ	July 21	1.8	-	6.8
Holmes & March ....int	3†	Sept 30	2.45	-	6
Kunick § ....int	0.5	July 3	0.4	-	1.4
Parkway Group § ....int	1.25†	-	1	-	3
Rechem ....fin	6	-	-	8.5	-
SAC Intl ....int	1.5	-	1.5	-	4
Vivat ....fin	nil	-	1.7	nil	2.7
Warner Howard ....fin	2.45	July 10	2.07	3.75	3

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ★US cents. ‡For period May 9 1988 to March 31 1989. ᵡFinal of 6p forecast.

UK COMPANY NEWS

Traumatic year closes chapter in saga of Lee Cooper's parent

Vivat Holdings plunges £12.7m into the red

By Alice Rawsthorn

VIVAT HOLDINGS, the tronbled leisurewear group which is best known for its Lee Cooper jeans, crashed from pre-tax profits of £3.27m in 1987 into losses of £12.68m in 1988.

The announcement ends a traumatic year for Vivat in which it experienced a boardroom revolt – culminating in the resignation of Lord Marsh as chairman – and an unsuccessful takeover approach.

Vivat is now nearing the end of a radical reorganisation of its activities.

This has involved the closure of Lee Cooper's four jeans factories in France and the disposal of a loss-making retail business in the UK.

The cost of restructuring is expressed as an extraordinary item of £8.1m.

Mr Michael Cooper, who has taken over as chairman and is the grandson of the company's founder, said the group had "redressed the bruising we took in 1988" and "hoped to take a few small steps forward in 1989".

Group turnover fell to £128.74m (£145.73m) in the year to December 31. It made losses per share of 30p (earnings of 5.51p).

The board has decided not to issue a final dividend. Vivat's shares fell by 7p to 67p yesterday.

The bulk of Vivat's losses – £10.71m – came from businesses that have since been sold or closed, including the UK retail business which lost ovar £6m before its sale in November. Vivat has also withdrawn from the wholesaling of its FU's jeans brand in mainland Europe and has closed Platini, its fledgeling sportswear venture. It intends to sell Wooz, a chain of five shops in Paris.

The reorganisation of its remaining interests will be completed by the end of June. The group's workforce will then have been reduced from 2,500 at its peak in early 1988 to about 1,300 today.

Lee Cooper, which should provide 75 per cent of group sales this year, is now run from new headquarters on the outskirts of Paris. The last of the four Lee Cooper factories closed last month.

Vivat will now source 50 per cent of the jeans from its sole surviving plant in Tunisia and the rest from sub-contractors, chiefly in south-east Asia.

The rest of the remaining group is divided into four divisions: Otto Albert, a West German fashion company; Botos, a chain of casualwear shops in Spain; the FU's jeans brand in tha UK; and Calpi, a small French men'a underwear business.

At the year-end, Vivat's borrowings had risen to £18m on net assets of £21.5m. The level of borrowings should be reduced to £12m by the end of this year.

Mr Cooper said Vivat's continuing activities, which made a pre-tax loss of £1.97m in 1988, had operated at a loss – albeit at a lower level – in the first half of 1989. He attributed this to the fact that the early spring Lee Cooper deliveries had been sourced from the old French plants.

He expected the group to move into profit in the second half – after the restructuring was completed – thereby breaking even for the full financial year.

Black urges acceptance of Lambert offer

By John Thornhill

PETER BLACK has again written to Lambert Howarth's shareholders urging them to accept its offer for the footwear and luggage group.

Today marks the first close of the offer, which values Lambert at £8.76m.

The letter from Mr Thomas Black and Mr Gordon Black, joint chairmen of the consumer goods manufactnrer and distribntor, states that Lambert's defence document "does not attempt to deny the clear commercial advantages of a merger and fails to present any coherent trading strategy for Lambert Howarth's future development as an independent entity".

Lambert's defence docnment, pnblished on May 5, entitled Don't Make It a Black Day for Lambert Howartb, strongly advised shareholders to reject the "wholly inadequate and totally nnacceptable bid."

Peter Black's share price has dropped from the 170p prevailing when it made the offer to 145p yesterday. Its offer of one share and 320p cash for every three Lambert shares now values the latter's shares at about 155p apiece. Yesterday, Lambert shares closed np 2p at 193p.

Mr Gordon Black yesterday said: "We are sorry our share price has gone down bnt are confident it will recover. The commercial logic of the offer is as strong as ever."

Mr Martin Jourdan, Lambert Howarth chairman, had no comment to make on Peter Black's letter bnt said he had promised to make a profit forecast for the 1989 financial year by no later than June 3.

Holmes & Marchant advances to £3.2m with aid of Catalyst

By John Ridding

BUOYANT MARKETS and its largest acquisition to date boosted pre-tax profits at Holmes & Marchant, marketing consultancy group, from £1.9m to £3.2m for the six months to March 31, an increase of 68 per cent.

Turnover more than doubled from £12.28m to £29.71m.

The issue of shares to finance the purchase of Catalyst Communications restricted earnings per share to 12.7p, a rise of only 15 per cent.

The interim dividend is 3p (2.45p).

According to Mr John Holmes, chairman, tbe design division was again the principal engine of growth.

It contributed around 50 per cent of operatlng profits on around a third of turnover.

The sales promotion division benefited from the acquisition of Catalyst. This was completed at the end of August 1988 and added around £850,000 to overall profits.

Mr Holmes said the company had been restructured.

Moves included the disposal of the loss-making US subsidiary PharmaDesign, and the merging of Catalyst's PR and design operations with Holmes' existing businesses.

Solid growth was also recorded in the public relations and specialist advertising division which accounts for just under a quarter of earnings.

All of the divisions saw operating profits increase by about 20 per cent.

Holmes' current strategy involves developing the smaller divisions so that each of the three business areas contributes around a third of profits.

This was partly the justification behind the £13m recommended purchase of Catalyst and reflects a broader goal of being able to offer clients a complete range of design and marketing services.

The current approach also involves further acquisitions, with an eye to expanding in Europe.

At the beginning of April the group bought a 75 per cent stake in Consultores de Comunicacion y Direccion, a Spanish communications consultancy.

● COMMENT

The most important feature in Holmes' solid results is that Catalyst has been added to the compound without provoking a nasty reaction. The city's initial misgivings - whicb sent shares diving - bave consequently been confounded and the new business seems set to add about £2m in profits for the year as a whole. Markets for all three divisions continue strong and the potential benefit of developing a complete service for the large end of the corporate sector is evident in the recent contracts from CMB Packaging. In the current year, tbe accumulation of deferred debt means that interest payments will exceed £700,000, providing a ceiling for earnings. However, pre-tax profits should still reacb £7.6m, putting shares on a prospective multiple of slightly over 8. The discount to the sector which this implies reflects lingering market suspicions about tbe new company and the fact that some of its former directors still bave shares to unload. Nevertheless, as Catalyst starts to fizz tbe rating should improve – suggesting that the shares are reasonable value at the current price.

BPP acquires Linguarama from Summer International

By Andrew Hill

BPP HOLDINGS, the financial training, private education and publishing group, is to buy Language School Holdings – which trades as Linguarama – from Summer International, the training and education company.

BPP will pay an initial £8.1m cash for Linguarama, which provides intensive language courses for executives at a cost to employers of more than £1,000 a week. The company intends to fund the initial payment, £1.5m of which will repay borrowings from Summer, with a share placing.

Summer bought Linguarama last July for a maximum £6.95m, and the business contrihnted more than half of Summer's pre-tax profits of £1.01m for the six months to March 31.

The company was approached by several groups interested in buying the business, inclnding Macmillan, part of Mr Robert Maxwell's Pergamon Group, and which owns the Berlitz chain of language centres.

"If we were ICI we wouldn't sell Linguarama, because it's a fabulous business," Mr David Sinclair, Summer chairman, said yesterday. "But we have to get the best return within our resources and the sale will give us a better, stronger and more successful company a year down the line."

The deal with BPP, which was tabled and agreed within two weeks, could earn Summer up to £18m in cash or shares, if Linguarama meets certain stiff profit targets. The proceeds will be used for further expansion.

The parent company has guaranteed pre-tax profits of at least £900,000 at Linguarama in 1989.

Summer's interim results compared with a loss of £225,000 in the previous six months and beat the company's profits forecast in January by £392,000. The figures included a £396,000 exceptional profit on a property sale – already accounted for in the forecast – and generated earnings per share of 5.3p.

Preference dividends were delayed in February because of a deficit in distributable reserves, but Summer expects the High Court to approve a capital reduction within the next four or five weeks, allowing preference payments to resume. Ordinary shareholders will then receive an interim dividend of at least 0.5p.

● BPP is also buying a 67.7 per cent stake in Markus Verbeek, a Netherlands accountancy training company, for an initial Fl 14.5m (£1.25m). A further Fl 600,000 depends on profits and BPP has an option over the outstanding shares in the Dutch company.

GrandMet S.American disposals

By Lisa Wood

Pillsbury, the US food group acquired by Grand Metropolitan in January, is selling five food processing interests in Central and South America.

The businesses include wholly-owned flour and pasta snbsidiaries in Vanezuela, dry groceries in Guatemala and a minority holding in a flour mill in El Salvador.

Mr Ian Martin, chairman and chief executive of Pillsbury, said the interests did not fit into Pillsbury's long-term strategy.

Since GrandMet made its $5.8bn acquisition of Pillsbury it has emberked on internal cost-cutting and selling of businesses, including Bennigens steak houses.

SHARE STAKES

Changes in company share stakes announced recently include:

Polly Peck: Mr Asil Nadir, director, purchased 3m ordinary at 312p, lifting his interest to 59.11m (24.09 per cent).

Arncliffe Holdings: John Govett and Company now hold 1.72m ordinary (34.42 per cent).

Eagle Trust: Coast Investment and Development Company PSC, Kuwait, Eagle Trust's parent, has sold 100,000 Eagle Trust shares at 16 3/4p on behalf of discretionary clients. The Group's total holding is 45.79m ordinary (6.01 per cent).

Bnllers: Gamlestaden has acquired a total of 1.02m ordinary, giving it 6.5 per cent.

Henry Barrett: 3I now has a total holding of 2.35m (6.3 per cent) registered in the name of 3I and Sonthbank Securities.

Jones and Shipman: The trustees of the T.S.Shipman Charitable Trust have sold 25,000 Jones and Shipman ordinary at 140p and now hold 1.54m ordinary (13.05 per cent).

COMPANY NEWS IN BRIEF

GKN: Annnal meeting told that, despite the slowdown in some national economies, business was good. Mr David Lees, chairman, said that the company's results for the first four months of 1989 were ahead of the corresponding period last time, and that, on the whole, current demand remained strong.

HAZLEWOOD FOODS has sold Crystallised Confections (Tip Top) for an undisclosed cash consideration.

MB GROUP: Junction Nominees, managed hy Mercury Asset Management, has increased its holding from 3.9 per cent to 5.31 per cent, or 18.29m shares.

MICROGEN HOLDINGS has acquired Laser Image, a Cardiff-based laser printing business, for about £300,000.

SYLTONE, the supplier of ancillary equipment to the international transporation industry, has acquired 75 per cent of Madrid-based Talleres Flag for Pta 52.5m (£267,000). Flag's principal activities include the distribution, sale and installation of Syltone's drum engineering products.

VISTEC GROUP is paying a total £2m to acquire 01 Computer Group (UK), which supplies and installs business computer systems, peripherals and provides software support. In the year ended March 31 1988 turnover was £5.26m and pre-tax profit £161,000; a trading loss is expected for the current year. Initial consideration is £1.25m comprising 4.9m shares valued at 25.5p each, of which 4.58m are being placed with institutions.

YORKSHIRE BUILDING Society is to launch a revised larger mortgage called Mortgage Premier on May 15. The minimum loan will be £50,000 and interest will be charged at 0.8 per cent below the Society's base rate.The discount will apply to the first year oif the mortgage after which the mortgage transfers to the base interest rate. The maximum loan will be 85 per cent of purchase price or valuation and loans are available for residential use only.

WILLIS FABER is paying £1.1m for Durant Wood, Bradford-based insurance broker. About 90 per cent of the consideration, payable in three instalments, will he met by shares. First payment of £440,000 will be 153,694 shares and £100,320 cash.

UK COMPANY NEWS

Pilkington buys European contact lens arm for $35m

By Ian Hamilton Fazey, Northern Correspondent

PILKINGTON, the diversified glass manufacturing group, has bought CooperVision's European contact lens business from Cooper Companies of the US for $35m (£21m).

The deal fills a gap for Pilkington, giving it contact lens factories in the UK, France and West Germany, as well as a substantial share of the European market, where it will rank second to Cibavision.

The CooperVision businesses, with annual sales of £20m, add the Permaflex and Permalens brands to the Pilkington Visioncare range of Hydrocurve, Polycon and Difrax.

Pilkington Visioncare's worldwide sales of plastic and glass spectacle lenses, contact lenses and associated products are worth more than £270m, but European contact lens sales amount to only about £7m.

Mr John Heine, chief executive of Pilkington Visioncare, said yesterday: "This acquisition in advance of 1992 means that Europe will now represent more than 20 per cent of our total worldwide sales."

He added that European operations were now big enough to compete profitably in a market expanding at 5 per cent a year and where there has recently been rapid consolidation. The company also expects to export lenses to the US.

The acquisition brings a high-volume factory in Southampton which has moulding technology complementary to Pilkington's lathing capability in the US. This will provide flexibility to meet differing market needs for particular products.

Other manufacturing plants - for hard and gas-permeable lenses - are located in Manchester, Munich and Paris.

Warner Howard up 31% to £4.2m

By John Thornhill

THE FIRST full year's contribution from an acquisition and improved profit margins helped Warner Howard Group, the supplier of commercial laundry systems and warm air hand dryers, increase pre-tax profits by 31 per cent to £4.24m in the year to February 28, up from the previous £3.25m.

The result was much in line with City expectations and the shares eased 2p to 215p on the announcement.

Turnover rose to £14.93m (£12.86m), an increase of 16 per cent. A proposed final dividend of 2.45p makes 3.75p (3p) for the year. Undiluted earnings per share advanced from 9.96p to 12.55p.

Mr Ronnie Hooker, chairman, said the increased turnover was due to the introduction of new models and a higher-than-expected return from Automations, a laundry equipment supplier purchased in December 1987. Automations contributed £750,000 to turnover and £260,000 to profit.

Higher levels of productivity were achieved throughout the group and pre-tax profit margins rose from 25 per cent to 28 per cent, he said.

The group now operates from six service centres and rents and sells its equipment to over 10,000 customers.

The first two months of trading in the current year were in line with budget, and Mr Hooker said he was confident this trend would continne for the rest of the year. "There is no reason to believe that this company's growth will not continne," he said.

The company is planning to expand further by acquisition and is curreotly looking at opportunities on the European continent.

Bremner urged to seek better price for sale of Glasgow store

By Clay Harris

MR JAMES ROWLAND-JONES, former chairman of Bremner and persistent gadfly to its current board, is urging the Scottish property and stockbroking company to obtain a price exceeding £3m for its Glasgow department store site.

Bremner has already agreed, subject to approval by shareholders at an extraordinary general meeting, to sell the property for £2.5m to What Everyone Wants, a Scottish clothing retailer.

However, Mr Rowland-Jones, speaking on behalf of more than 20 per cent of Bremner's shares, has put forward a motion for the egm instructing the directors to seek a price of more than £3m, either by outright sale or by a joint development.

"We are firmly of the opinion that the additional resolution would not only find favour with Bremner shareholders but could also be easily accomplished by expert negotiation," Mr Rowland-Jones said in a letter to directors.

He continued: "I appreciate that the Bremner board may have got themselves into an invidious position by lack of experience and may well have committed themselves either morally or contractually to vote in favour of the £2.5m sale, but that is no reason why the rest of the Bremner shareholders should suffer when a simple remedy is at hand."

Mr Rowland-Jones is also requesting that the individual views of each Bremner director be spelt out in the circular for the egm, the date for which has not yet been set.

Mr Dennis McGuinness, Bremner chairman, said yesterday that Mr Rowland-Jones's letter had only just been received and the board would need time to consider its contents. Mr Rowland-Jones has tried unsuccessfully several times to oust Mr McGuinness and some of his board colleagues.

Last week, Mr McGuinness said he would resign as chairman within three months, although he would remain on the board. The imminent retirement or resignation of five other directors was also announced. When they take effect, Bremner will have only four directors, excluding Mr McGuinness's eventual successor as chairman if he comes from outside the board.

Faupel placing to raise £2.8m

By Vanessa Houlder

FAUPEL, importer of textiles from China, plans to join the Unlisted Securities Market later this month in a placing that will capitalise it at about £9.5m.

The placing, sponsored by Hill Samuel, will raise about £2.8m. Lawrence Prust is acting as broker.

Faupel started trading with China in the 1920s, when it imported embroidered lace into the UK.

Its trading links were weakened as a result of the establishment of the People's Republic in 1949, but were reforged in the 1950s.

In 1957 it negotiated an exclusive UK sales agency for the supply of Chinese cotton greycloth and yarns with Chinatex, the official body responsible for improving trading links.

After the formalisation of trading agreements through the EEC/China Trade Agreement of 1978, the company shifted its emphasis to garment sales.

The board claims that 81 years of experience of trading with China helps source goods to high specifications from individual provinces.

Low-fashion garments, including shirts, trousers, jackets, knitwear, nightwear and accessories, account for three-quarters of sales.

The company also acts as agent on a commission basis for 33 Chinese suppliers of cotton greycloth, yarns and other textiles and imports household textiles such as embroidered bed linen, table linen and crochet goods.

Although goods imported from China account for 90 per cent of business, the company also imports cotton goods from India and household textiles from the US.

Its customers are wholesalers, mail order buyers and retailers such as Harrods, Selfridges and the John Lewis Partnership.

Pre-tax profits for the year to March 31 were £1.45m (£784,000) on turnover of £13.90m (£9.41m).

The company said that initially it planned to reduce borrowings. Later, it would seek acquisitions that wonld broaden its distribution base.

Bermuda Star disposes of its cruise business

By Nikki Tait

Bermnda Star Line, the US-quoted company in which Norex, the UK insurance and shipping group, holds a 59 per cent stake, has sold its cruise business to Rederi Effjohn for a better than expected price.

Mr Kristian Siem, Norex chairman, yesterday said that the main reason for the increased figure was a higher consideration for commissions on future bookings. The price, according to Norex, is nearly £2m more than first thought.

The sale to Rederi Effjohn, owned jointly by Johnson Line of Sweden and the Finnish Effoa company, comprises BSL's cruise business and two cruise ships - SS Bermoda Star and Queen of Bermnda - and was first announced in late-March. Norex owns 50 per cent of the two ships.

Yesterday, Norex said that the combined sale had eliminated group debt and left it with net cash proceeds of about £8.7m.

Parkway doubles profit and sees further growth

PARKWAY GROUP, the international press production concern which in March won the award for USM Company of the Year, more than doubled its profits in the six months to March 31.

The group made £3.73m (£1.58m) pre-tax and this result was achieved on turnover which soared from £11.47m to £45.62m.

Earnings moved up 17 per cent to 7.6p (6.5p), and the interim dividend is raised 25 per cent to 1.25p.

Mr John McKimmie, chairman, said that as the newer Parkway companies were integrated into the group, he expected to see continned strong organic growth. He added that he was pleased by the cross-fertilisation of businesses and the transfers of technology that had both contributed to the period's excellent figures.

Continuing its acquisition programme, Parkway also announced the purchase of Highlight, e New York colour laboratory, for an initial $3.04m (£1.85m) in cash and shares.

In line with its expansion policy in the US and Europe, the group reported the imminent major reorganisation of its management structure.

SAC Intl slips at the halfway stage to £1.36m

Pre-tax profits et SAC International, the USM-quoted engineering design consultant, fell from £1.77m to £1.36m in the six-month period to February 28 1989.

This figure was struck after exceptional debits of £19,000 (£151,000) and came from turnover redneed by 7 per cent from £21.13m to £19.64m.

Interest payable rose to £266,000 (£224,000) and, after tax of £500,000 (£644,000), earnings per 10p share were 4.12p (5.49p).

The interim dividend is unchanged at 1.5p.

SAC'e profits last year slumped to £2.02m following a £1.3m downturn in its design services division.

Mr Roger Smedley, chairman, said thet management actions to consolidate the group's position during the final quarter were resulting in an encouraging recovery in the group's profitability.

Sales in the second quarter of the current year had improved by some 8 per cent above the first quarter, suggesting that business volumes were increasing, he maintained.

BLP offer is 45% taken up

BLP Group open offer taken up in respect of 4.55m ehares (45.4 per cent). Offer made in connection with the 18.17m shares issued as part of the acquisitioo of Berg Group. An egm also agreed the Berg purchase and cancellation of the share premium account. A separate meeting of holders of the preference shares approved the variation of class rights in connection with the cancellation of the ehare premium account

Hilton International books full US hotel

Hilton International, the hotels group which is a eubsidiary of the Ladbroke Group, has agreed to acquire for about $40m (£24.1m) the 75 per cent external interest in its hotel in Washinghton DC.

COMPANY NEWS IN BRIEF

ADDISON CONSULTANCY: Motivaction has acquired e further 150,000 ordinary shares taking its holding to 14.2m (23.8 per cent).

AVONMORE FOODS has reached agreemeot for the acquisition of a majority interest in Northern Ireland-based Gleo Mills Dairy. The net assets being acquired amount to around I£536,000 (£450,000) and the consideration will include some 500,000 A ordinary shares.

BEACON GROUP has acquired High Speed Production for a consideration of $1.42m to be satisfied by the issue of 1.67m ordinary shares and 520,753 new convertible participating preferred ordinary shares. High Speed is a designer and manufacturer of precision metal pressings and assemblies for manufacturers of components, business machines and other users of pressed metal work.

CCA PUBLICATIONS: HTV has received valid acceptances in respect of 11.02m CCA shares (99.68 per cent). The recommended offer has been declared nnconditional in all respects and the loan note alternetive will remain open until further notice. Elections for the partial share alternative have been made in respect of 5.22m new HTV shares, the maximum oumber of such shares to be issued under the alternative.

CONTROL TECHNIQUES has acquired Anglicon Gronp, designer and maker of instrumentation for temperature and process control markets, for an initial £650,000 in shares, with a further amount payable to maximum £950,000.

COOKSON GROUP has bought the Tele-trading Group, Dorset-based scrap processing concern. The transaction is not significant to the net assets of the company.

CRH, Dublin-based building materials gronp, seeking US listing for its shares on Nasdaq. At present, CRH shares are listed in Dublin and London.

DRG, the stationery, packaging and office equipment group, is buying Lawrence Photo-Graphic of Kansas City, Missouri, for $5m (£3.04m). Lawrence is a print and graphic supplies business.

ELSWICK, the manufacturer of specialist engineering products and packaging, is to acquire Locke Manufacturing of Connecticut for $400,000 (£243,000). Locke makes a range of cylinder mowers for the professional market.

ESTATES & GENERAL Investments and Sun Alliance Group Properties have submitted an outline planning application for a 400,000 sq ft retail complex in Uxbridge High Street. The development will have e completed investment value of £125m.

MIL Research profits expand 46% to £2.6m

MIL Research Group, one of Britain's leading market research companies, reported a 46 per cent rise in pre-tax profits to £2.61m, from £1.79m, in the year to January 31. Turnover rose to £17.3m (£14.2m).

Mr Rudolph Goldsmith, chairman, said that all companies in the group had participated in the strong growth which enabled profits to rise for the seventh consecutive year.

He also said he could see the growth continuing as the company diversified into areas such as mergers and acquisitions.

MIL has, on average, twice the growth rate of the market research industry, and this has been helped by two recent ecqnisitions. Bulmershe Research, which specialises in motoring and selected consumer services, was purchased in February for £300,000 in cash plus 36,000 shares.

Last week MRC Pharma, a Dutch pharmaceutical research company was acquired for $525,000 in cash. Both acquisitions were paid for from company funds. At the year-end MIL had cash resources of £2.2m.

The directors are recommending a final dividend payment of 2.85p (2.2p) which will make a total for the year np almost 40 per cent to 4.6p (3.3p). Earnings per share rose to 15.4p from 13p.

UK COMPANY NEWS

RHM delivers formal terms to Goodman Fielder

By Nikki Tait

RANKS HOVIS McDougall, the British bakeries and foods group, has delivered its "part A" statement – its more detailed formal offer proposal – to Sydney-based Goodman Fielder Wattie, for which it is waging a £1.27bn bid.

There will now be a period of at least two weeks and up to four weeks from the date of delivery, May 12, before the formal offer documents go out to Goodman shareholders, during which time the Australasian food company can study the documents.

Pat Goodman, chairman of Goodman Fielder Wattie

Goodman's initial, fairly low-key, reaction to the part A was that the group's concerns have not changed from those expressed when the bid was first mooted.

It said that it had "particularly noted that the Ranks document is again vague on the important issue of influence over Australasian businesses and assets", doing little to assure shareholders, employees and governments about this "important matter".

However, while the formalities get underway, discussions between the two parties, about the possihlity of a friendly merger, are described as "still ongoing" – despite RHM's previous but non-binding insistance that the offer would not be increased.

The talks started shortly after RHM announced its offer in late April. Given that Australia's Foreign Investment Review Board – which must judge whether the bid should be permitted – is expected to come to a decision at the beginning of June, there may be increasing pressure for the discussions to reach a conclusion, one way or the other.

Bank of Scotland preference issue

By David Lascelles, Banking Editor

BANK OF Scotland is joining the growing ranks of banks who are planning to make issues of preference stock in order to raise capital that meets the new international capital regulations.

The bank is seeking shareholder approval to create £125m of non-cumulative irredeemable preference stock and issue up to £100m of it over the next five years. The bank says the stock will enable it to develop its business without any material dilution to the holders of ordinary stock.

Preference stock of the kind being proposed by the Bank of Scotland has been approved by international banking supervisors for inclusion as "Tier 1" capital which determines how far a bank can expand its lending. Other UK banks who have announced issues include Barclays, Midland and Allied Irish Bank.

No MMC Probes

The Trade and Industry Secretary has decided not to refer the following to the Monopolies Commission:– The acquisition by Bowater Industries of a 25.65 per cent stake in Norton Opax, and the acquisition of Northern Engineering Industries by Rolls-Royce.

Fitzwilton makes agreed £13m offer for M6 Cash and Carry

By Andrew Hill

FITZWILTON, the Irish holding company headed by Mr Tony O'Reilly, Heinz chairman, yesterday announced its second major UK acquisition within a month, with an agreed £13m cash offer for M6 Cash & Carry, the food and drink distributor.

The acquisition of M6's four warehouses in the north-west of England will further Fitzwilton's ambition to build a chain of food and drink distributors in Britain. Last summer the Irish group bought Roy Hall Cash and Carry which operates one outlet in Manchester.

A busy month for the acquisition-hungry Irish group hegan when Fitzwilton launched a £53.8m agreed cash offer for Keep Trust, the car dealer and manufacturer of playground equipment in which it held a 30 per cent stake. Two weeks later, the company paid £14.8m (£12.4m) for two Dublin-based freezer-makers.

The offer for M6 is pitched at 155p a share, against yesterday's closing price of 150p, up 8p.

Fitzwilton has already won irrevocable acceptances representing 54 per cent of M6's shares, including directors' shares, institutional investments and the 29.4 per cent stake belonging to J Rothschild Holdings, which used to own M6.

Mr Kevin McGoran, Fitzwilton's deputy chairman, said the group might attempt to expand its cash and carry operation incontinental Europe in the longer term. Fitzwilton will also grow its other core businesses – motor distribution, financial services and specialist manufacturing and distributing – in the Irish Republic, Britain and continental Europe.

A placing and open offer of shares raising I£30m at the time of the Keep deal has kept Fitzwilton's gearing down to 30 per cent in spite of the recent spate of cash acquisitions.

M6 issued a statement nearly two weeks ago that it had received an approach which might lead to an offer. Bid speculation prior to that announcement – which prompted a 22 per cent jump in the shares – had already pushed up the price from about 90p, at the beginning of March, to 120p.

In 1988, M6 made £1.24m before tax on sales of £80.4m.

No decision yet on Premier sale

By Lisa Wood

FOUR MAIN contenders, inclnding Dalgety, the food commodities group, have emerged as suitors for Premier Brands, the UK food company which put itself up for sale in March.

Analysts have put a £300m price-tag – including £90m of debt – on the business.

Lazards Merchant Bank, which is handling the sale, said no decision had heen made yet on any deal. Price, it said, would play a part in its choice hut it was looking for a good home for the business. "It is the fit between Premier and the potential acquirer that is important," said Lazards.

Premier, which owns brands including Typhoo Tea, Marvel instant milk and Chivers Jams, surprised the City when it sbandoned plans for a public flotation and announced it was for sale.

The move was not supported by Mr Paul Judge, Premier's chairman, who resigned.

Cakebread up 71%

Cakebread Robey, builders' merchant, lifted taxable profits 71 per cent to £946,000 in the year to December 31.

The advance from £554,000 came from turnover of £26.4m (£24.38m). Earnings per 10p share expanded to 10.4p (6.1p), and a final dividend of 3.3p gives a total of 4.1p (3.8p).

Crystalate fails to deliver long-awaited recovery with £2.3m

By David Waller

CRYSTALATE HOLDINGS – the electronics components company which suffered a boardroom reshuffle after a poor first half last year – yesterday failed to deliver the recovery long-awaited by City investors when it reported its figures for the six months to the end of March.

Although operating profits rose by 57 per cent, a substantially increased interest bill curbed the growth at the pre-tax level to 36 per cent.

From last year's low first half figure of £1.68m, the pre-tax profit rose to to £2.29m.

Earnings per share climbed by 32 per cent and the interim dividend increased by 4.7 per cent to 2.2p. Turnover was up 7.6 per cent to £58.11m.

Lord Jenkin of Roding, chairman, said the second half would be substantially better than the first – but he pointed to short-term problems which would slow the pace of improvement.

All in all, the figures, combined with the tone of the chairman's statement, disappointed the market and the shares were duly marked down 6p to close at 135p.

Sales and profits in the US were higher than a year ago, but the company said that a major subsidiary, IRC, was likely to suffer from weakness in the computer peripherals and automotive market.

● COMMENT

After a dreadful first half last year, analysts were expecting the new management at Crystalate to bring in profits in the £2.5m-£2.6m bracket; instead, they got a re-run of the same old story of poor market conditions in the past and great potential in the future. True, the company is exposed to fiercely competitive commodity ends of the component market, but it can perhaps be criticised for not being more nimble in dealing with the difficult market conditions which have beset the whole sector. Why, for example, has the rationalisation at Besson still not taken place? The City seems inclined to give the new management the benefit of the doubt. If it makes £6m-£6½m in the full year, the shares are on a prospective multiple of between 9.5 and 10. This seems about right; moreover, assuming a 5 per cent increase in the dividend, the shares are on a prospective yield of over 6 per cent.

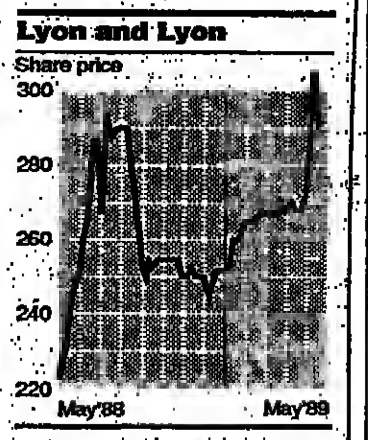
Lyon & Lyon rejects potential bid approach

By Clay Harris

LYON & LYON, the Yorkshire-based motor dealer, said it had rejected a potential takeover approach. The group's shares, which had risen by 30p last week, closed 15p lower at 295p, giving it a stock market valne of £9.3m.

Mr John Illingworth, managing director, said Lyon had received a letter on May 5 and replied last Thursday that the possible offer was not in the company's interest.

No face-to-face discussions had taken place and none were planned, he said. The approach came from a quoted company, which to Lyon's knowledge did not hold any shares.



Lyon's largest shareholder, Mr Tony Bramall with 19.25 per cent, joined its board on May 1. In October 1987, he sold C.D. Bramall, a family-controlled motor dealership, for £79m to Avis Europe, where he served briefly as a director.

In 1988, Lyon nearly doubled its pre-tax profits to £927,000 on turnover of £20.5m.

Booker profit warning for first six months

BOOKER'S agribusinesses continue to experience mixed fortunes Mr Jonathan Taylor, chief executive, told shareholders at yesterday's annual meeting.

There had been a decline in demand for the principal seed product as a consequence of price changes in the EC; production at Middlebrook Mushrooms had been affected by the late receipt of planning approval for the modernisation of the Avon facility, and McConnell Salmon faced a further fall in prices in the UK.

Mr Taylor said that the setbacks would have a disproportionate effect on the first-half results, but he remained confident abont the outlook for 1989.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Blenheim Exhibitions, Concentric, Keystone Investment, Metro Radio, TMD Advertising, Vaux.

Finals- Allied- Lyons, Calor, Elliott (B), Harding, Nu-Swift.

FUTURE DATES

Interims-	
Alexanders Holdings	May 23
Archimedes Inv Trust	June 6
Leeds	May 23
TSB Channel Islands	May 31
Thornton (GW)	May 25
Western Selection	May 22
Finals-	
Alpine	May 15
Cape Industries	June 13
Edbro	June 2
Globe Investment Trust	May 18
Honda Motor	May 24
Readicut International	May 25

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CONTRACTS

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JOHN E WILTSHIER GROUP has won contracts worth more than £30m over the last month. The largest, a £11m design and build contract, was won by Wiltshier Projects Group and involves the construction of four adjacent high specification office buildings at Herbal Hill, London EC1, for Priest Marians Developments. Also design and build, is an £825,000 contract for a replacement warehouse superstructure in Enfield, London, for Barclays Nominees (KWS).

The group's south east division bas picked up nearly £8.5m of work in three major contracts. The largest is a £3.42m office development in Horsham, Sussex, for Cannon Estates.

In Kent work will begin soon on a £2.7m high bay warhouse facility for a pharmaceutical facility in Dartford, and a £2.15m factory and office complex at the Gillingham Business Park for Insight Cartons.

London based Wiltshier Interiors bas been awarded a £1.29m contract by British Rail, to fit out the concourse and platforms at London's Fenchurch Street station. And in Bishops Stortford, Essex, Wiltshier Construction bas been awarded a £1.78m contract for the alteration and extension of a town centre supermarket.

Leisure facilities for Milton Keynes project

SDC BUILDERS, Bedford, has been awarded contracts worth over £17.7m, the biggest of which is to design and build a £7.7m leisure plaza in the centre of Milton Keynes.

This encompasses an international ice arena, 36-lane bowling centre and family facilities linked by a central piazza and ornamental lake to two stores and a garden centre to be leased to Sainsbury's Homebase and Argos.

Seven other contracts include a nursing home at Bottisbam, Cambridge, for 3P (£2.9m), a factory at Cambridge for Plant Breeding International (£1.6m) and an industrial unit at Biggleswade for Bedfordshire Salvage Company (£600,000).

The remainder, all design and build, are for adding a swimming pool to Mid Beds District Council's sports centre at Flitwick (£1.6m), a three-storey office building for accountants, MacIntyre Hudson, at Milton Keynes (£1.6m), offices for computer company, Barron McCann, at Letchworth (£1.1m) and the extension and refurbishment of Woodlands Manor Hotel, at Clapham, Beds, (£500,000).

Manchester headquarters

COSTAIN CONSTRUCTION, a subsidiary of Costain Group, has been awarded a £7.2m contract by Siemens for the construction of Siemens new energy and automation headquarters in Manchester.

The contract comprises the construction of a multi-storey office building surrounding an enclosed courtyard which is to have extensive landscaping.

Tbe main entrance to the building and a training centre, occupying a prominent corner of the site, will consist of a circular element four storeys high with a machinery room above. The remainder of the building will be five storeys high and contain open plan office accommodation and facilities for the main sevices.

Construction will include flight augured concrete pile foundations, pile caps and an in situ reinforced concrete ground floor slab. The circular element will consist of reinforced concrete columns, beams, floor slabs, roof deck and perimeter walls. Internal partitions will be 100mm concrete blockwork. The machinery room will have a steel frame with concrete block walls clad in aluminium. Precast concrete staircases will also be included.

The contract commenced in the last week of April and is due for completion in the middle of June 1990.

FT LAW REPORTS

Bank can freeze UK assets for French proceedings

X v Y AND Y ESTABLISHMENT
Queen's Bench Division:
Mr Anthony Diamond QC, sitting as a deputy High Court judge: April 10 1989

WHERE A civil or commercial action is tried in a country which is party to the European civil jurisdiction Convention, the English court has power to give the plaintiff leave to serve Mareva proceedings abroad on a defendant domiciled in a non-Convention country, and may freeze his UK assets pending judgment in the foreign court if there is a real risk that he will dispose of them to avoid satisfaction.

Mr Anthony Diamond QC, sitting as a deputy Queen's Bench judge, so held when dismissing a chambers summons by which the defendant Y, a Saudi Arabian carrying on business as an establishment, sought (i) to set aside leave given to X, the plaintiff bank, to serve interim proceedings on Y in Saudi Arabia; and (ii) to discharge a Mareva injunction obtained *ex parte* by the bank.

HIS LORDSHIP said that on May 29 1986 the plaintiff, a French bank, agreed to provide the defendant, a Saudi Arabian businessman, with a letter of credit and acceptance facility np to $5m, and to lend him SR6m.

The defendant guaranteed all amounts due. Under the agreements and the guarantees be submitted to the jurisdiction of the courts of any place where his assets might be found, and payments were to be made "without any dednction or withholding whatsoever."

In October 1987 the defendant defaulted on the letters of credit. On March 16 1988 the bank wrote bringing the loan agreements to an end and claiming sums due.

In early 1984 the bank's ultimate holding company, "A", had decided to increase its share capital and had asked the bank to help in placing shares. The defendant had snbscribed for 60,000 shares at $100 per share.

He became disenchanted with the investment. It was asserted in evidence that in buying the shareholding the defendant relied on representations made by an employee of the bank. In France five criminal complaints were made by subscribers to the 1984 placement, including the defendant. It was said that tha bank employee was to be charged with frand and abuse of confidence.

While criminal proceedings were in being, the defendant was precluded from bringing civil proceedings in France.

No defence had ever been raised on tha defendant's default on the letters of credit. It was clear that he had no right to withhold any of the sums due to the bank. He hed expressly agreed to pay "without any deduction or withholding whatsoever."

There was no doubt that his failure to pay was due to his desire to put pressure on the bank to settle the dispute relating to his shares in A. That was a clear breach of the contracts, which specifically excluded any right of set-off.

In April 1988 the bank commenced proceedings against the defendant in Paris. It had previously obtained a *saisie conservatoire* of bis A shares, held at its Paris branch. They might well not be worth more than $3.9m. There had been no judgment so far, and he had put in no defence.

On December 13 the bank applied *ex parte* to the English court for e Mareva injunction restraining the defendant, until trial of the Paris proceedings, from dealing with or removing his assets out of the jurisdiction.

Mr Justice McCullough made an order to that effect, and also gave the bank leave to serve an origineting summons on the defendant in Saudi Arabia. The bank issued the summons, asking for similar relief to that granted *ex parte*.

As a result the bank succeeded in freezing the defendant's London assets, amounting to about $1.5m.

On the present summons the defendant sought orders that (a) the originating summons, service, and all subsequent proceedings be set aside, on the ground that tha court had no power to give leave to serve out of the jurisdiction; and (b) that the Mareva injunction be discharged.

Article 24 of the European Convention on Jurisdiction and the Enforcement of Judgments in Civil and Commerciel Metters 1968 provided that application might be made to the courts of a contracting state "for such provisional, including protective measures" as might he available under its laws, "even if tbe courts of another contracting state have jurisdiction as to the substance of the matter."

The Civil Jurisdiction and Judgments Act 1982 gave effect to the Convention in the UK.

Section 25 of the 1982 Act provided that the High Court had power to grant interim relief where proceedings had been commenced in a contracting state other than the UK.

Mr Silber for the defendant submitted that while section 25 gave the court power to grant interim relief in relation to French proceedings, it could not exercise that power unless *either* (i) process could be served within the UK; *or* (ii) statutory authority could be found in Order 11 of the Rules of the Supreme Court, allowing service out of the jurisdiction.

RSC Order 11 rule 1(1)(b) provided that leave could be given to serve out of the jurisdictioo "if in the action begun by the writ (b) an injunction is sought ordering the defendant to do or refrain from doing anything within the jurisdiction." It applied to an originating summons as it did to a writ (see rule 9(1)).

Mr Silber submitted that the sub-rule did not authorise service abroad on a defendant who was not domiciled in a "Convention" country. Also, in accordance with the House of Lords decision in *the Siskina [1979] AC 210*, he submitted that the bank's claim was not within the sub-rule hecause the injunction was sought not as part of substantive relief, hut in aid of foreign proceedings.

The *Siskina* was a decision on what was then Order 11 rule 1(1)(i), which was in identical terms to the current rule 1(1)(b). It held that to come within the sub-rule the injunction sought must be part of the substantive relief to which the plaintiff'a cause of action entitled him. Section 25 was enacted for two reasons – first, to confer on the court the powers under article 24 of the Convention; and second, to override the *Siskinn* decision. Because of *Siskinn* the courts had had no power, until the 1982 Act, to grant provisional or protective measures of the type contemplated by article 24.

In *Babanaft v Bassatne [1989] 2 WLR 232* Lord Justice Kerr said that "the reversal of the *Siskina* case and adherence to article 24 of the Convention was achieved by section 25" of the 1982 Act.

Section 25 was not intended to be limited to cases where the defendant happened to be domiciled in a Convention territory. Neither article 24 nor section 25 was expressed to be so limited.

For section 25 to apply there were two conditions. First, proceedings must have been or be ebout to be commenced in e con*tracting state* other than the UK (25(1)(a)). Second, the subject matter of the proceedings must be within the scope of the 1968 Convention (25(1)(b)).

Both conditions were satisfied. France was a Convention state, and the proceedings related to "civil and commercial" matters.

Section 25 itself did not euthorise service out of the jurisdiction. That was intended to be dealt with in complementsry legislation – namely Order 11.

The proper construction of Order 11 rule 1(1)(b) was that the court could grant leave to serve out of the jurisdiction (a) when the injunction sought in the action was part of the substantive relief to which the cause of action entitled him (as held in *Siskina*): and (b) where tbe claim was for aocillary relief within section 25.

Mr Justice McCullough therefore had power to grant leave under rule 1(1)(b) to issue the originating summons and to serve it in Saudi Arabia.

There were very strong reasons why the court should exercise its discretion in favour of granting interim relief. They included the agreement that the defendant might be sued "in any place where his assets may be found"; the fact that he bad unconditionally submitted to the jurisdiction of the French court; and the fact that any French judgment would not be enforceable in Saudi Arabia.

There was abundant evidence that he was taking every step available to avoid paying en undisputed debt of $8m to the bank, so as to put pressure on it to settle the dispute relating to his shares in A. Refusal of a Mareva injunction would involve a real risk that a French judgment would remain unsatisfied save to the extent that it was secured by the *saisie conservatoire*.

It was just and convenient that the defendant should he restrained from removing bis assets out of the jurisdiction.

Judgment for the bank.

For the bank: Nicholas Merrimon QC and Andrew Sutcliffe (McKenna & Co)

For the defendant: Stephen Silber QC and Thomas Weitzmon (Holman Fenwick & Willan)

Rachel Davies
Barrister

COMMODITIES AND AGRICULTURE

Dollar undermines precious metals

By Kenneth Gooding, Mining Correspondent

PRECIOUS METALS prices were sent tumbling yesterday hy the soaring dollar, which discouraged bnyers of gold, silver and pletinum.

Matters were not helped hy the fact that many European centres were closed for the Whitsun holiday and this dampened activity.

The gold bnllinn price plnnged through $375 an ounce, a key price as far as chartists were cnncerned because this was the lowest level reached last year. By bursting through this chart support point, gold triggered further selling.

Gold closed at $373.75 an ounce, $3.5 down from Friday's close and its lowest level for 32 months. Mr Mark Wellesley-Wood, head of Kleinwort Benson Securities' mining team, said ln normal circumstances he "would look for $350 as gold's next stop."

Traders said, however, that e further snbstantial fall in the gold price was unlikely because it was being underpinned by the unrest following the Panamanian elections and the subsequent involvement of the US in that country.

The silver bullion price followed gold down as speculators showed concern over the dollar's rapid advance. Traders said that et one point yesterday morning silver slipped to $5.50 cents an ounce.

A slight recovery later saw silver close at $5.52 an ounce, down 10 cents from Friday and a 26-month low.

Meanwhile, the platinum price slumped by $15.60 an ounce to $519.90 hy the close.

Ironically, this sharp fall came on the day that Johnson Matthey, the world's biggest platinum marketing organisation, released lts annnal review of the market. It predicted that platinum would trade this year mainly in a range between $500 and $600 an ounce

Japanese still hungry for platinum

By Kenneth Gooding

JAPAN'S VORACIOUS appetite for platinum sent demand for the precious metal spiralling to another record last year, according to Johnson Matthey, the world's largest platinum marketing company.

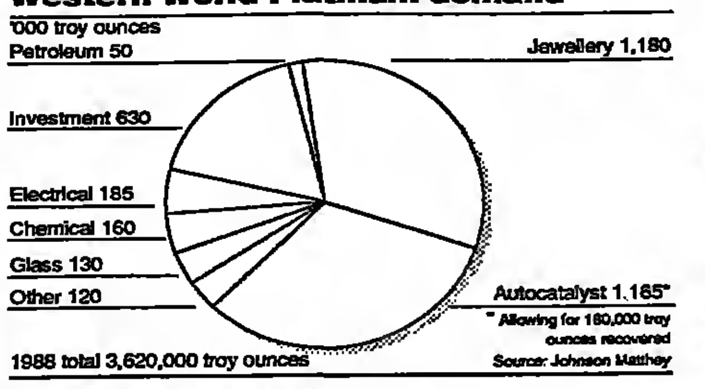
Japanese imports of platinum in 1988 reached 2.17m troy ounces, 30 per cent more than in the previous year. That country accounted for 54 per cent of all the primary platinum available to the west in 1987 and last year Japan's share grew to 68 per ceot.

Looking ahead, Johnson Matthey suggests in its annual platinum review that demand for the metal will exceed supply for the fifth consecutive year in 1989 and the deficit will continue for the next two or three years.

Platinum will continue to show price volatility hnt is expected to trade this year mainly in a range between $500 and $600 a troy ounce, it says.

The platinum price briefly dropped below $450 an ounce in February last year and reached a peak of $650 in June while the average of London quotes for the year was $530, or $25 an ounce lower than in 1987.

Western World Platinum demand



Jnhnson Matthey says that in 1988 platinum demand rose by 10 per cent to 3.66m ounces, the second year in succession that the 3m ounce level was exceeded.

Supplies of primary platinum grew by only 3 per cent to 3.2m, and the deficit of supply more than doubled to 460,000 ounces.

This helped to produce a squeeze on physical metal last year, particularly from July nnwards, which was reflected the the premiums available for spot metal compared with futures.

The review says the supply deficit in 1999 is not expected to he as great as last year's hut will still lead to pressure on available stocks.

Automotive catalysts continued to provide the biggest industrial demand for platinum, consuming 1.325m ounces last year – including 160,000 ounces recovered from spent catalysts – and Johnson Matthey believes that the increasingly fast pace of introduction of car catalysts in western Europe should sustain this demand in future.

The review says it is unlikely that Japan will repeat last year's extraordinary level of imports hut looks set to remain the biggest market by far.

Johnson Matthey expects jewellery demand to be maintained this year hut the investment metal business might fall. "We believe that platinum will continue to develop as an investment instrument but at a slower pace than over the last four years. Probably the Far East will be the major market of interest, with North America somewhat less active by comparison," the review suggests.

On the supply side, South Africa maintained its dominant 80 per cent of western world platinum supplies with output of 2.56m ounces last year.

Johnson Matthey says it expects only a modest change in primary supplies this year, with South Africa producing a little more and the Soviet Union exporting a little less than last year's 0.4m ounces as its domestic needs increase.

"Platinum 1989". Free from Johnson Motthey, 78 Hatton Garden, London EC1N &JP.

Time runs short for tin case settlement

By Raymond Hughes and Kenneth Gooding

LAST-DITCH attempts were being made yesterday to reach an out-of-court settlement between the countries, traders and banks caught up in the 1985 collapse of the International Tin Council's buffer stock operations with debts of £906m. However, creditors said tha two sides were still far from reaching agreement after talks which started last Thursday and continued over the weekend and yesterday.

Time is running out because the International Tin Agreement ends on June 30 and the current round of negotiations almost certainly represents the last chance for a settlement before then.

Creditors claim to be owed £513m in principal and interest. They had previously suggested they might be willing to settle out of court for about £225m.

Representatives of the 22 ITC member countries are understood to be offering much less. ITC members continue to insist that a formal proposal must first come from the creditors but a spokesman for the creditors said it made no sense to make any proposal because the two sides were too far apart.

The creditors suggest they are injured parties trying to recover as much as possible of money they are undeniably owed. Their approach is a commercial one and in a commercial context bargaining over figures is nothing unusual.

The states, however, look at the matter differently. They do not accept that they have any responsibility for the ITC's debts or any liability whatsoever to the creditors.

That position would appear to be legally unassailable: virtually every judgment so far has been in favour of the states – though virtually every judge who has had anything to do with the tin litigation has had harsh things to say about the states' attitude to the whole issue.

That being the states' approach, the last thing they feel under any obligation to do is to enter into negotiations with the creditors – indeed, they take the view that they cannot be seen to be engaged in commercial haggling.

Their attitude is that they and the creditors have a common problem which needs to be solved.

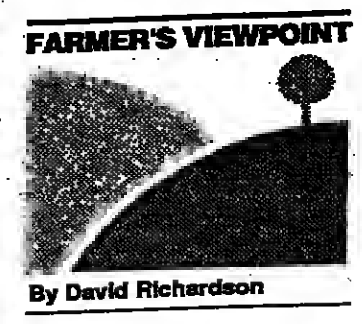
LME WAREHOUSE STOCKS (Change during week ended last Friday) tonnes

Aluminium	-5,500	to 88,925
Copper	+3,775	to 135,050
Lead	-1,025	to 34,600
Nickel	-1,842	to 3,132
Zinc	-4,025	to 31,475
Tin being reassayed		
Silver (oz)	-540,000	to 9,550,000

Never mind the quality, look at the view

Farmland used to be valued on its productive potential, but now other factors take priority

FARMER'S VIEWPOINT



By David Richardson

LAND AGENTS have never been so busy and they are loving it. One told me the other day that twice as many farms as usual had come onto the market so far this year and that he personally was currently preparing the particulars for a dozen major estates. Furthermore, he confidently expected to sell most of them at or above the guide price.

The answer used to lie in the soil (with apologies to the late Kenneth Williams). The value of a farm was governed by the quality of the land and its ability to grow good crops. Advertisements in the past stressed the grade of the land, the excellence of the grain store, the potential for irrigation and so on. But not any more.

Today, as any reader of Weekend FT will know, the headlines beneath beautiful coloured photographs of the house and gardens draw attention to residential advantages, proximity to London, to racecourses and the fishing and shooting available on the farm. The land, usually mentioned in small print, is clearly well down the list of priorities.

Such advertisements are, of course, an accurate reflection of where the value lies. Many of today's potential buyers spend their weekdays in high-rise glass palaces peering at flickering screens with a telephone to each ear. The big money which some of them make from manipulating paper in such a pressurised environment makes them crave for what they perceive as quality of life, at weekends at least, and gives them the wherewithal to purchase it.

Last year, according to land agent Savills, the market leader in the farm sector, the average price of farms sold with vacant possession in England increased by 26 per cent. Residential farms sold at 38 per cent higher and farms in the south and west of England, in other words with the best access to London, were up 55 per cent on the year before. In the same year, however, income from farming fell by 25 per cent.

This paradox is compounded by roll-over relief. A growing number of farmers is selling fields or entire farms for development at very high prices indeed. Provided the vendor reinvests the proceeds of such sales into farmland, capital gains tax is deferred. It is therefore possible for a farmer selling, say, ten acres of land for £500,000 an acre to be in a position to buy a 2,000 acre estate and still have cash to spare.

According to Savills, 33 per cent of those buying farms last year were taking advantage of roll-over relief and that represented 42 per cent of the acreage which changed hands. In the eastern counties roll-over money paid for 60 per cent of the acreage sold.

Savills further claims that farmers are still the main buyers of land in spite of the falling profitability of farming.

In strictly business terms, it does not make sense. Farmers are in the best possible position to know how difficult it is, currently, to show a profit from farming – that is why so many farms and estates are on the market.

So why, having made some real money from development sales, do many of them put it straight back into land instead of investing it in gilts or almost anything else where it would yield a much better and more secure return?

The simple answer is that most farmers, even today and in spite of the problems, love the job they do and frankly don't want to do anything else. They never referred to it as quality of life until the yuppies began using the phrase, nevertheless that is what they have and wish to hold.

If proceeds from development sales enable them to consolidate their position so much the better, and they are prepared to bid against sharp suited City competitors to levels far higher than a farm or estate is worth in order to do so. Neither bidder in such an auction takes any account of the potential profitability of farming.

Also significant is the fear that roll-over relief may be abolished or that its terms may be changed. It was, after all, introduced in 1979 to replace a punitive land development tax which was discouraging owners from making land available for building. Roll-over relief was intended to enable vendors to replace business assets taken for development at no loss.

It was not, I suspect, meant to lead to enormous windfall gains which the present price of development land provide. Indeed, there was surprise in some quarters that the Chancellor did not correct the anomaly in the last budget.

There is little doubt that anticipation of an amendment to the law helped push up the price of farmland prior to April as roll-over purchasers sought to find a home for their money before budget day. Even bare land with none of the amenities so attractive to the City set benefited from the pre Budget panic and prices rose marginally.

But the immediate pressure to buy has now receded. Meanwhile, more and more farmers are seeking to give up the unequal struggle of trying to make money from farming and are putting their holdings on the market. Last week 18 pages of the Farmers Weekly were crammed full of details of farms for sale up and down the country.

Those with attractive houses, good shoots and within an hour or so of London will probably sell at prices higher than those recorded during the early 1980s. Those with sizeable milk quotas should also be relatively easy to move – dairy farming is one of the few profitable sectors at present.

It is, however, difficult to imagine who will buy the less fashionable farms, in spite of the confidence of my ebullient friend the land agent. The value of such holdings has already fallen by at least a third since the peak six to eight years ago when almost any farm sold for more than £2,000 per acre. It is well known in fact that many holdings in areas like the East Anglian Fens which are fertile but unattractive have been on offer for months without attracting a single bid. And now there is the prospect of fertiliser restrictions being imposed in such areas to comply with EC regulations on nitrates in water supplies.

The Minister of Agriculture promises to compensate affected farmers but it is unlikely that he or his successors will be over-generous. In the meantime, the value of farms involved will decline further.

Regular reports of ever increasing land prices therefore give a totally misleading impression of the prosperity of agriculture. The most profitable crop by far, for a few, is bungalows. For most of the rest of the industry unable to persuade the planners to grant the necessary permission, prospects remain depressed. And land – once called the ultimate commodity – because "they don't make it any more" – goes down in value as well as up.

Rape seed growers vote to pay research levy

By Bridget Bloom, Agriculture Correspondent

BRITAIN'S OIL seed rape growers have voted to pay an annual levy to fund their own applied research following the Government's decision last year to stop funding such so-called "near market" research.

Some 77 per cent of rape seed growers voted in a poll conducted by the Ministry of Agriculture to pay an annual levy into a scheme which will be administered by the Home Grown Cereals Authority, a statutory body which already operates a similar scheme for cereal growers.

At the probable rate of 50p a tonne the levy should contribute some £500,000 from 1990. It will fund independent trials of new varieties of rape and new methods of crop protection, among other research projects.

Government plans to cut more than £30m from its £160m agricultural research and development budget were announced last year amid widespread controversy. The move is part of an economy-wide move to shift more applied research to industry, which is held to benefit from it.

● The amount of pesticides being used by Britain's farmers has fallen by 41 per cent in the past eight years, according to a report released by the British Agrochemicals Association yesterday. BAA director Mr John Page said UK sales of pesticides had shown no growth in money terms since 1983.

Coarse grain crop seen rising by 100m tonnes

By David Blackwell

WORLD PRODUCTION of coarse grains is set to soar by more than 100m tonnes next year, according to the latest International Wheat Council report.

It is forecasting a crop of 830m tonnes, the highest figure since 1986. Last year 729m tonnes were produced. The report points out that recent rains have helped sowing in some parts of the US corn belt, where output is expected to stage a strong recovery after last year's drought. But larger crops are also expected in the EC, the Soviet Union, Argentina, and China.

However, it warns that the sowing of coarse grains is not yet complete in the Northern Hemisphere.

The IWC has revised downwards its forecast for next year's wheat crop to 535.3m tonnes from last month's 537.7m tonnes. Last year the total crop was 504m tonnes.

The reduction reflects the poor outlook for winter wheat in the US, where dry weather has hit crops. Some areas in Kansas have already been abandoned, says the report.

Meanwhile the IWC predicts that many poorer importing countries "could experience severe difficulties in meeting the cost of commercial wheat imports" next year in the light of rising prices and a reduction of subsidies and credit offers from some of the major exporters.

WORLD COMMODITIES PRICES

LONDON MARKETS

COFFEE prices resumed their recent uptrend yesterday after Friday's setback. The strength of nearby May again dragged the other months higher. May touched £1,400 a tonne in early dealings before easing. July closed at £1,179, the highest level for more than two months. A shortage of tenderable spot coffee remains the principal supporting factor. Cocoa prices were also firmer. Early gains were prompted by weaker sterling and a more encouraging chart picture after Friday's late recovery from 13½-year lows. The market was quiet as many European centres were closed for the Whit Monday holiday. Today a policy meeting in the Ivory Coast is widely expected to discuss the fixed price paid to growers. On the LME copper prices fell under pressure from a rise in warehouse stocks and easier prices in New York.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$14.80-4.90v	
Brent Blend	$16.40-6.50q	+.075
W.T.I. (1 pm est)	$20.30-0.44q	+0.30
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$256-261	
Gas Oil	$146-147	
Heavy Fuel Oil	$89-91	+1
Naphtha	$182-185	+½
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$373.75	-3.5
Silver (per troy oz)♣	552c	-10
Platinum (per troy oz)	$519.90	-15.0
Palladium (per troy oz)	$152.25	-8.75
Aluminium (free market)	$2445	+80
Copper (US Producer)	131¾-136c	
Lead (US Producer)	39c	
Nickel (free market)	680c	+10
Tin (European free market)	$10415	-35
Tin (Kuala Lumpur market)	27.98r	-0.06
Tin (New York)	477.75c	-2.75
Zinc (US Prime Western)	87¼c	
Cattle (live weight)†	119.13p	+0.10
Sheep (dead weight)†	268.31p	+3.44*
Pigs (live weight)†	86.67p	-1.91*
London daily sugar (raw)	$310.60u	-5.0
London daily sugar (white)	$355u	-4
Tate and Lyle export price	£302	
Barley (English feed)	£104.75w	+0.25
Maize (US No. 3 yellow)	£132.5	
Wheat (US Dark Northern)	£125.5	-0.5
Rubber (spot)♥	65.00p	-0.50
Rubber (Jun)♥	63.00p	-0.50
Rubber (Jul)♥	63.00p	-0.50
Rubber (KL RSS No 1 Jun)	275.8m	-3.5
Coconut oil (Philippines)§	Unq	
Palm Oil (Malaysian)§	$407.5x	
Copra (Philippines)§	$370	
Soyabeans (US)	£202	+3
Cotton "A" index	77.60c	+0.05
Wooltops (64s Super)	615p	-5

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. v-Jul. u-May/Jun. q-Jun. x-Jun/Sep. w-Aug. z-Aug/Sep. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low	
May	706	697	712	705
Jul	725	717	729	721
Sep	741	734	744	736
Dec	766	760	768	761
Mar	776	776	783	778
May	796	776	790	784
Jul	796	786	803	801

Turnover: 2884 (5387) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for May 12: 934.52 (926.67). 10 day average for May 15: 941.10 (943.77)

COFFEE £/tonne

	Close	Previous	High/Low	
May	1380	1335	1400	1350
Jly	1177	1155	1180	1165
Sep	1115	1095	1110	1105
Nov	1081	1065	1085	1077
Jan	1079	1058	1080	1074
Mar	1074	1058	1074	

Turnover: 2093 (3658) lots of 5 tonnes
ICO indicator prices (US cents per pound) for May 12: Comp. daily 115.66 (114.77). 15 day average 116.01 (116.28)

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low	
Aug	275.00	276.40	279.80	275.00
Oct	273.00	278.20	277.60	275.00
Dec	269.60	280.00	277.60	275.00
Mar	261.00	266.40	266.40	264.40
May	259.60	266.40	264.00	263.00
White				
Aug	346.50	348.00	348.00	346.00
Oct	330.00	333.00	333.00	331.00
Dec	324.00	328.50		
Mar	315.00	321.00	319.50	317.00
May	313.00	319.00	316.00	
Aug	312.00	318.00		
Oct	310.00	316.00		

Turnover: Raw 2786 (5645) lots of 50 tonnes. White 790 (906). Paris market closed

CRUDE OIL $/barrel

	Close	Previous	High/Low	
Jun	17.42	17.38	17.41	17.35
Jul	16.95	16.88	16.84	
IPE Index	17.29			

Turnover: 1128 (4745)

GAS OIL $/tonne

	Close	Previous	High/Low	
Jun	144.00	143.50	144.50	143.75
Jul	143.00	143.25	143.75	143.00
Aug	143.00	143.25	145.00	144.25
Sep	143.75	143.25	145.00	143.75
Oct	146.75	145.25	147.50	147.00
Nov	148.00	147.75	148.25	147.50
Dec	149.00	149.25	150.00	

Turnover 1430 (4637) lots of 100 tonnes

TEA

There were 16,558 packages on offer including 5,000 offshore, reports the Tea Brokers Association. A strong demand prevailed. Bright liquoring and medium East African teas were very well supported and often substantially dearer apart from the plainest and dust grades which were irregular. Central Africans came to a much improved market and frequently gained 4 to 5p sometimes more. Ceylons met keen competition with quality sorts considerably dearer. Offshore teas met strong demand at dearer rates. Quotations: quality 190p, nominal (190p) medium 114p (108p), low medium 90p (88p).

POTATOES £/tonne; **SOYABEAN MEAL** £/tonne; **FREIGHT FUTURES** $10/index point; **GRAINS** £/tonne; **PIGS** (Cash Settlement) p/kg; **LONDON METAL EXCHANGE** (Prices supplied by Amalgamated Metal Trading); **LONDON BULLION MARKET**; **LONDON METAL EXCHANGE TRADED OPTIONS**; **LONDON FOX TRADED OPTIONS**

[illegible]

US MARKETS

IN THE METALS, the dollars rally to its highest levels since December of 1986 prompted strong sell-offs in the gold and silver markets, reports Drexel Burnham Lambert. June gold fell to low of $375.20 while the July silver bottomed at 556c. Increased stocks are still pressuring the copper market as the futures sank 495 basis July. Platinum was down on carryover selling from the metals. In the softs, sell stops weakened the sugar with scale down trade buying providing support. Cocoa prices were lower following the lower sterling. The grain markets featured lower prices in the soy complex with bean oil futures posting the biggest decline from stop-loss selling. July bean oil closed down 77 points. Wheat and corn were mixed in lighter volume. The livestocks featured lower prices in the belly futures due mostly to the large amount in storage. Cattle was also down as bear spreading ahead of Wednesdays cattle on feed report was noted. Live hogs gained as lighter than expected hog runs were supporting the market. The energy futures all advanced on late day-trade buying. June crude oil closed near 20.50 dollars.

New York

GOLD 100 troy oz.; $/troy oz. **PLATINUM** 50 troy oz; $/troy oz. **SILVER** 5,000 troy oz; cents/troy oz. **COPPER** 25,000 lbs; cents/lbs. **CRUDE OIL** (Light) 42,000 US galls $/barrel. **HEATING OIL** 42,000 US galls, cents/US galls. **COCOA** 10 tonnes;$/tonnes. **COFFEE "C"** 37,500lbs; cents/lbs. **SUGAR WORLD "11"** 112,000 lbs; cents/lbs. **COTTON** 50,000; cents/lbs. **ORANGE JUICE** 15,000 lbs; cents/lbs.

[illegible]

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel. **SOYABEAN OIL** 60,000 lbs; cents/lb. **SOYABEAN MEAL** 100 tons; $/ton. **MAIZE** 5,000 bu min; cents/56lb bushel. **WHEAT** 5,000 bu min; cents/60lb-bushel. **LIVE CATTLE** 40,000 lbs; cents/lbs. **LIVE HOGS** 30,000 lb; cents/lbs. **PORK BELLIES** 40,000 lbs; cents/lb.

[illegible]

LONDON STOCK EXCHANGE

Equities extend gains in slow trade

LONDON equity specialists sounded somewhat unconvinced yesterday by another firm performance from the UK market which saw leading indices again establish new post-Crash highs. UK stocks were taking their lead from the 66 point gain in New York on Friday, but turnover in London was disappointing, and the double digit advance in the FT-SE index owed much to gains in dollar-earning stocks, prompted by a further advance in the US currency.

Last week's improved perception of the inflation outlook was encouraged by further snapshots of the progress of the economies on both sides of the Atlantic. The latest US data on industrial production and plant capacity utilisation did nothing to upset the better sentiment brought by April's producer price figure. In the UK, the Confederation of British Industry/Financial Times distributive trades survey indicated a continuing slowdown in consumer spending. The pound's relatively steady performance against the German mark restrained anxiety over domestic interest rates.

Account Dealing Dates			
*First Dealings:	Apr 17	May 8	May 22
Option Declarations:	May 4	May 18	Jun 1
Last Dealings:	May 5	May 19	Jun 2
Account Day:	May 15	May 30	Jun 12

*New time dealings may take place from 9.00 am two business days earlier.

Equities opened sharply higher and the Footsie was showing an 18 point gain as London waited for Wall Street to extend its advance. However, with the big investment funds clearly unwilling to chase prices higher, the early gains wilted before the close, despite a firm start on Wall Street.

At its final reading the FT-SE Index was 14.2 up at 2,149.9, featured by the international blue chips and by the UK construction sector which responded to reports that the UK Government plans to double public spending on new and improved roads over the next ten years.

A more accurate picture, however, was disclosed by the turnover details both for the market as a whole and for individual stocks. Two of the day's best gains came from Glaxo and Reuter, the former returning trade of only 1.6m shares and the latter a mere 461,000. Seaq volume of 411m compared with 522.7m on Friday, and included a substantial proportion of inter-market business.

Despite its move into new post-Crash territory, the UK market's recent performance has been "marginally disappointing against Wall Street," according to Mr Ian Stephenson at Salomon International. "The institutions are baulking at buying the market above FT-SE 2,100. I still think we will see the index back to 2,100 again before we see it at 2,200."

Takeover interest was at a low ebb yesterday, and was hardly encouraged by the view from the Hanson boardroom that the time is "not ripe" for a major acquisition. Consolidated Gold Fields slipped lower ahead of this week's legal rulings in New York which are likely to bring to a conclusion the bitterly fought contest with Minorco.

Wellcome out of favour

A weak spot in a firm market was provided by Wellcome, the pharmaceuticals group, as several bearish factors prompted selling of share options which was quickly reflected in the underlying shares. City analysts returned yesterday from a Wellcome seminar in the South of France.

The shares, finally 12 down at 457p, were assailed by hints of yet another rival to Retrovir, Wellcome's anti-Aids product. However, suggestions the Bristol-Myers' product DDI will be on the market within 6 months were discounted by Mr Jonathon de Pass at BZW, where the shares are regarded with favour.

The seminar appeared to confirm some fears that Wellcome may lack strength in the major Continental markets, where it rates low in the lists of market share among pharmaceutical companies. At Nomura Securities, where the shares have been rated a sell for some time, Dr Erling Refsum commented that there are wider concerns that Wellcome may not be large enough to compete in the high cost, research and development driven world pharmaceutical industry.

Colourful Kingfisher

Demand for Kingfisher showed no sign of slackening as marketmakers in the stock returned to their desks mindful of weekend press reports pointing to possible foreign stakebuilding in the stores group. The shares advanced another 5 to 332p, while turnover of 3m was again impressive on what was a very quiet day for the market.

But in spite of the strength in the Kingfisher price, dealers and analysts are treating stakebuilding and bid stories with scepticism. "The recent buying has not come from any one source and there is little evidence of anyone building up a substantial holding," said one trader.

The market puts the run in the shares down to strong demand from institutions previously underweight in the stock, and the almost total absence of sellers. If there is any news on the horizon, one analyst suggested, it could well concern property disposals (involving sale and leasebacks) and perhaps some American-style corporate restructuring.

Moreover, chartists have been quick to point out that having broken through the key 300p barrier, Kingfisher could now be heading for 360p or even 380p before consolidation sets in.

Roads to success

RMC, the concrete and aggregates group, were outstanding in a building sector bubbling over with enthusiasm after a report that the Government White Paper on public spending on roads is expected to be published on Thursday of this week. The reports suggested that expenditure on roads and infrastructure could double over the next decade to around £10bn.

RMC shares, heavily supported over the past few weeks, raced up to a year's best of 753p before easing back to end the day 25 higher at 751p. Turnover came out at 1.1m shares; "the rise was accentuated by a growing stock shortage," said one dealer.

"Looking at the company long term, you can see strength in Europe, where RMC is represented in every EEC country; strength in aggregates, and the stake in the Lone Star business in California which looks a cracker," said Mr Ian McGregor, building analyst at Panmure Gordon. "The shares have had a hell of a run but they deserve their premium; taking a conservative view we expect annual growth of 15 to 20 per cent out of the company over the next two years," Mr McGregor concluded.

Among the dollar earning issues, Glaxo stood out with a gain of 38 to 1395p, with Reuters also performing strongly at 784p, a gain of 22. However, turnover in these stocks was not large and there was not a great deal of genuine investment demand. BAT Industries (549p) followed the firmer trend of the rest of the dollar orientated sector.

Hanson gained 2½ to 201½p following the half time results featured by a higher interim payout and the promise of an increased final. Traders were slightly disappointed by the absence of any sign of the restructuring plans which were hinted at in the market last week.

The recently firm banks sector came under fire at the outset after the general election victory in Argentina of Mr Carlos Menem, the Peronist candidate said to have taken a hard line on debt repayment during the election campaign. "He's been reported as saying he will stop foreign debt payments, but it's unclear at the moment whether that will be the case; I think it's better to wait for a formal statement," said one banks analyst.

Midland Bank and Lloyds Bank were the worst affected of the big four clearers. Midland, with the biggest exposure to LDC debts, fell away to 334p before steadying and closing only a net 2 off at 339p, on turnover of 1.9m shares, while Lloyds, next in the LDC exposure list, were a similar amount down at 369p. Barclays moved up 6 to 482p while Nat-West, where turnover came out at a bigger than normal 3.4m, gained a similar amount to 620p.

Insurance brokers burst into life with buying interest stimulated by the latest upsurge in the dollar and vague suggestions of redundancies at the big broking firms. "These rises have uncovered a couple of short positions in the market," noted one marketmaker. The biggest action was in Sedgwick, where 2.4m were traded as the shares rose 9 to 257p. Willis Faber jumped 11 to 237p.

The heavy end of the building sector scored impressive gains across the board ahead of the White Paper on spending on roads. Apart from RMC there were big gains in Redland, 19 up at 582p, Steetley, 10 firmer at 460p and Tarmac, 7 better at 325p on 3.4m. John Mowlem advanced 12 to 433p and Costain 4 to 337p. Rugby added 5 at 198p ahead of an analysts visit today.

But there were numerous weak spots in the builders merchants and again in the sheltered housebuilders. In the latter category McCarthy & Stone dropped 8 more to 227p with marketmakers forecasting a further decline in the stock to possibly 200p a share after the recent profits warning. Anglia Secure Homes fell 11 to 333p.

Rechem, the waste disposal group climbed 25 to 559p after almost doubled profits and dividend, but Meyer International, the builders merchant, dropped 14 to 403p, mirroring widespread market worries over falling sales and talk of imminent profits downgradings.

Vivat Holdings, the leisurewear manufacturer, fell 8 to 75p after reporting a surprise £12.6m loss for last year.

The steep rise in the dollar gave a strong boost to Cable & Wireless, up 10 to 540p on turnover of 2.2m shares, and the Racal duo, Electronic and Telecom. The former, whose share price, according to analysts, is now determined by the performance of Racal Telecom shares, surged ahead to close 16 firmer at 484p on 6.3m; Telecom jumped 15 to 423p on 1m after it was revealed that US investors now hold some 13 per cent of the shares on issue.

Crystalate lost 6 to 135p with the "quite respectable" figures, according to dealers, offset by the cautious accompanying statement.

After last Friday's late and dramatic collapse of William Low's "agreed" bid all eyes in the Foods sector sector were on the reopening of trading in Budgens. Marketmakers were annoyed that the lack of a clear explanation for Low's withdrawal left them "dealing in the dark" in Budgens, which returned at 110p, briefly bottomed at 105p, then closed back at 110p, down 36 from Friday's suspended price of 146p. There was some demand at the lower levels and after good two-way business turnover finished at 2.3m shares.

As expected, William Low regained some of the ground lost when the deal with Budgens was initially announced, but with the possibility of legal action hanging over the company the recovery was restricted to a rise of 17 to 269p.

The features among the manufacturers were United Biscuits, up 7½ at 338p after it was revealed that two Swiss banks had bought 6m shares between them, and Hillsdown, where a large bargain of 1m shares helped the price gain 5 to 272p on turnover just short of 5m.

Eurotunnel units were again bought by UK and French investors and stormed to a new peak of 939p, up 41, but the heaviest traded stock among miscellaneous industrials was Blue Arrow. Renwed US support mopped np further UK selling, causing little variation in the shares which finisbed unchanged at 99½p after volume of 7.3m.

Favourable mention in the weekend financial columns drew attention to many other stocks in the sector. English China Clays, bought for recovery prospects, rallied 11 to 500p, and ADT, favoured for hopes of a bid from Canada's Laidlaw Transport, gained 4 to 174p. Cellnet growth potential attracted buyers to Securicor, up 35 at 845p, and Security Services, 32 higher at 635p. A newsletter claim that the shares are dne a major re-rating lifted Wyndham 17 to 305p.

BAA took another knock on newspaper advice that the shares should be sold and settled 5 down at 348p. Chamberlain Phipps dipped 7 to 213p following the sccess of Evode's all-paper offer, while SAC International came back 7 to 104p in the wake of lower first-half profits. Diploma traded nervously awaiting tomorrow's interim figures and ended 6 down at 244p while Norcros weakened late to settle 11 lower at 322p.

A rise in shares of Dowty was, according to marketmakers, largely an expression of relief that the sale of its mining equipment subsidiary to management had at last been completed. The shares closed 10 up at 278p. Weekend press reports of possible Eurofighter contracts helped both Lucas Industries and Smiths Industries; the former improved 7 to 643p and the latter rose 8¼ to 312p helped also by a series of City presentations this week. Among motor distribntors, Lyon & Lyon reacted 15 to 290p after rejecting a bid approach from a mystery suitor.

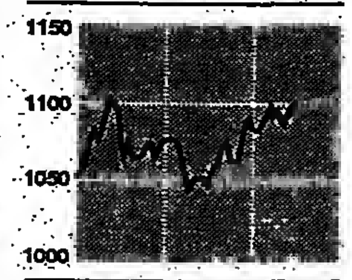
Awaiting details of an agreed deal with Ogilvy Group, the US advertising agency, shares of WPP rallied 12 to 614p. Latest reports sngest that the UK company will soon unveil recommended terms of around $54 for each Ogilvy share. MIL Research, a recent Citicorp Scrimgeour Vickers buy, which reported good annual results last Friday, benefited from the outbreak of takeover activity within the agency/market research sector and ended 19 up at 229p. Clarke Hooper were also popular at 190p, up 9.

Anglo-Eastern Plantations (A-EP) registered a sharp gain of 10 to 98p following the compulsory cash offer of 96p-a-share from Chillington Corporation. The latter was obliged under the city code to make the bid after acquiring 2.1m A-EP shares from R.E.A. Holdings which took its shareholding to 52.2 per cent. R.E.A. has agreed to dispose of a further 3.7m shares of A-EP to certain institutions. Chillington closed unchanged at 157p but R.E.A. rose 14 to 195p. Other plantation issues moved higher with Rowe Evans gaining 7 to 73p and Williamson Tea rising 55 to 975p.

Capital Radio shares leapt 42 to 858p ahead of the interim figures expected tomorrow. Mr Chris Akers at Citicorp Scrimgeour Vickers is forecasting a top of the range figure of £5.5m, some 50 per cent up on the comparable figure last year of £3.67m. Mr Akers expects a positive market response to the Capital Radio figures but recommends clients to "bank some of the phenomenal profits and switch into an even more exciting growth situation — Miss World whose multiple is trading at a 20 per cent discount to Capital's."

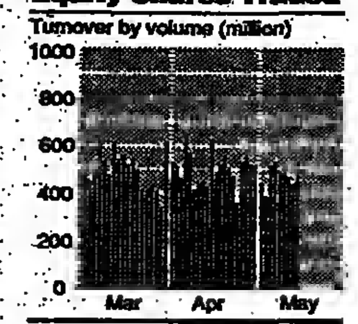
■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 27

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



FINANCIAL TIMES STOCK INDICES

	May 15	May 12	May 11	May 10	May 8	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	86.83	86.76	86.54	86.56	86.52	90.26	89.29 (8/2)	85.84 (13/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.44	97.05	97.32	97.36	97.54	98.11	99.59 (15/3)	95.93 (4/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1787.2	1779.1	1758.7	1763.4	1767.8	1425.3	1779.1 (12/5)	1447.8 (3/1)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	177.8	176.3	174.3	173.3	174.4	196.3	196.1 (28/3)	154 7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)

	May 15	May 12	May 11	May 10	May 8	Year Ago
Ord. Dl. Yield	4.39	4.42	4.47	4.44	4.42	4.59
Earning Yld %(full)	10.74	10.81	10.92	10.81	10.77	11.88
P/E Ratio(Net)(☆)	11.23	11.16	11.04	11.17	11.21	10.33
SEAQ Bargains(5pm)	29,764	27,173	23,263	24,128	26,024	23,468
Equity Turnover(£m)†	-	1240.09	1170.87	1279.54	1274.38	1080.37
Equity Bargains†	-	29,996	27,020	28,791	30,683	24,358
Shares Traded (ml)†	-	483.8	435.3	465.8	509.0	297.5

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1787.9	1788.3	1786.2	1787.7	1789.1	1790.2	1785.3	1785.6

DAY'S HIGH 1790.9 DAY'S LOW 1784.2

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, ☆Nil 11.14 †Excluding intra-market business.

S.E. ACTIVITY

Indices	May 12	May 11
Gilt Edged Bargains	87.9	76.3
Equity Bargains	194.4	175.1
Equity Value	2606.5	2366.6
5-Day average		
Gilt Edged Bargains	84.3	85.8
Equity Bargains	193.0	202.1
Equity Value	2456.0	2430.0

● London Report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change
ASDA Group	2,100	173	-2½
Allied-Lyons	1,200	462	+4
Amstrad	2,500	114	-1
Argyll Group	690	191	
Ass. Brit. Foods	102	349	+1
BAA	2,600	348	-5
BAT Inds.	2,600	549	+11
BET	1,409	288	+4
BICC	560	518	-7
BOC	868	496	+4
BPB Inds.	295	242	+5
BTR	1,300	388	+4
Barclays	1,100	482	+6
Bass	558	960	+6
Beecham	1,700	616	+1
Blue Circle	837	562	+3
Boots	1,200	292	+1
Brit. & Comm.	1,800	210	+1
Brit. Aerospace	687	634	+1
British Airways	1,300	207	+1
British Gas	3,900	182	+1
British Land	65	371	+5
BP	2,700	283	+1
British Steel	9,100	89	+1
British Telecom	3,200	273½	+½
Burmah Oil	480	561	+½
Burton	1,200	220	+1
Cable & Wireless	2,200	540	+10
Cadbury Schweppes	520	356	-1
Carlton Comms.	105	861	+6
Commercial Union	478	378	+2
Cons. Gold Fields	187	1318	-12

Stock	Volume 000's	Closing Price	Day's change
Cookson	1,700	325	+5
Courtaulds	2,200	325	+4
Dalgety	258	358	+1
Dixons	508	137½	-½
Eng. China Clays	1,100	500	+11
Enterprise Oil	266	560	
FKI Babcock	279	168	+½
Fisons	2,300	307	+9
Gateway Corp.	5,300	194½	-½
General Accident	553	998	+9
General Elect.	1,500	244	+3
Glaxo	1,600	1395	+38
Globe Inv.	386	179½	+2
Glynwed Int.	482	310	+1
Granada	243	342	-2
Grand Met.	3,900	563	-2
GUS A	113	1056	-1
GRE	724	215	+2
GKN	1,800	379	
Guinness	1,100	482	+1
Hammerson 'A'	133	799	
Hanson	9,300	201½	+2½
Harrisons & Cros.	915	177	-1
Hawker Siddeley	154	711	+4
Hillsdown Hldgs.	4,800	272	+5
IMI	239	248	+1
Imp. Chem.	789	1228	+7
Inchcape	529	373	+1
Jaguar	841	302	+2
Kingfisher	3,000	332	+5
Ladbroke	919	579	
Land Securities	759	596	+11

Stock	Volume 000's	Closing Price	Day's change
Laporte	428	432½	+6½
Legal & General	1,800	320	-1
Lloyds Bank	956	369	-3
LASMO	50	465	-1
Lonrho	1,600	281	
Lucas	293	643	+7
MB Group	97	209	+1
MEPC	711	596	+11
Marks & Spencer	4,500	188	-½
Maxwell Comm.	3,700	199	+1
Midland Bank	1,900	339	-2
Nat. West. Bank	3,500	620	+6
Next	464	146	-1
Northern Foods	23	301	
Pearl	323	488	-2
Pearson	587	713	+14
P & O	765	688	+8
Pilkington	2,100	242	+3
Plessey	615	261	-1
Polly Peck Intl.	122	387	
Prudential	4,700	185	+2
RHM	270	347	
RMC	1,100	751	+25
RTZ	566	527	-1
Racal	6,140	484	+16
Rank Org.	190	960	-3
Reckitt & Colman	156	1127	+12
Redland	1,300	582	+19
Reed International	816	398	-1
Reuters	461	784	+22
Rolls Royce	1,500	191½	-½
Rothmans	355	506	-1

Stock	Volume 000's	Closing Price	Day's change
Royal Bk of Scotland	[illegible]	[illegible]	[illegible]
Royal Insurance	[illegible]	[illegible]	[illegible]
STC	[illegible]	[illegible]	[illegible]
Saatchi & Saatchi	[illegible]	[illegible]	[illegible]
Sainsbury	[illegible]	[illegible]	[illegible]
Scott & Newcastle	[illegible]	[illegible]	[illegible]
Sears	[illegible]	[illegible]	[illegible]
Shell Transport	[illegible]	[illegible]	[illegible]
Siebe	[illegible]	[illegible]	[illegible]
Slough Ests	[illegible]	[illegible]	[illegible]
Smith & Nephew	[illegible]	[illegible]	[illegible]
Smiths Industries	[illegible]	[illegible]	[illegible]
Standard Chartered	[illegible]	[illegible]	[illegible]
Storehouse	[illegible]	[illegible]	[illegible]
Sun Alliance	[illegible]	[illegible]	[illegible]
T&N	[illegible]	[illegible]	[illegible]
TSB	[illegible]	[illegible]	[illegible]
Tarmac	[illegible]	[illegible]	[illegible]
Tate & Lyle	[illegible]	[illegible]	[illegible]
Taylor Woodrow	[illegible]	[illegible]	[illegible]
Tesco	[illegible]	[illegible]	[illegible]
THORN EMI	[illegible]	[illegible]	[illegible]
Trafalgar House	[illegible]	[illegible]	[illegible]
Trusthouse Forte	[illegible]	[illegible]	[illegible]
Ultramar	[illegible]	[illegible]	[illegible]
Unilever	[illegible]	[illegible]	[illegible]
United Biscuits	[illegible]	[illegible]	[illegible]
Utd Newspapers	[illegible]	[illegible]	[illegible]
Wellcome	[illegible]	[illegible]	[illegible]
Whitbread 'A'	[illegible]	[illegible]	[illegible]
Williams Hldgs.	[illegible]	[illegible]	[illegible]
Wimpey	[illegible]	[illegible]	[illegible]

NEW HIGHS AND LOWS FOR 1989

[illegible] Aberfoyle, BBA, BTR, Do. Wrnts., B.H. Prop., Bardon Grp., Baxter Intl., Bespak, Blue Arrow, Brit. Aerospace, Brit. Steel, Brit. Vita, Brooks Service, Caparo, Charter Cons., China Light, Christies Intl., Dean & Bowes, Eurotunnel Units, Fuel Tech., Hanson, Do. 5.75pc Cv Pf, Do. 10pc Cv Ln, Hawthorn Leslie, Hutch Whmp., IWP Intl., Jardine Hldgs., Laidlaw Thomson, Lilleshall, Macfarlane, Parkfield Grp., Photo-Me Intl., RCO, Reuters, Rolfe & Nolan, Schlumberger, Securicor Grp., Do. "A", Security Grp., Do. "A", Securiguard, Swire Pac. "A", Tech. Project Servs., Unilever NV, Waterman Part., Wyndham Grp., INSURANCE (7) LEISURE [illegible] Rand Mines, THIRD MARKET (3).

NEW LOWS (24).

CANADIANS (1) Augmitto Expln., BUILDINGS (5) Anglia Sec., Carron Phoenix, Erith, Federated Housing, McCarthy & Stone, CHEMICALS (1) Thurgar Bardex, STORES (3) Gabicci, Knobs & Knockers, Stirling Grp., ELECTRICALS (4) Crystalate, MSS, Nth. Telecom, Pressac, FOODS (1) Budgens, INSURANCE (1) PWS Hldgs., LEISURE (1) Henlmex, SOUTH AFRICANS (1) Abercom, TEXTILES (2) Leeds Grp., Lowe (Robert H.), OILS (1) Martnox, MINES (2) East Rand Prop., Kitchener, THIRD MARKET (1) Eglinton Expln.

APPOINTMENTS

Senior posts at Saatchi and Saatchi

■ Mr Terry Bannister and Mr Roy Warman have been appointed chief operating officers of SAATCHI & SAATCHI's communications group, *writes PHILIP RAWSTORNE.* Mr Victor Millar is giving up his role as chairman of the communications business to concentrate on Saatchi's consultancy group, where finance director, Mr Andrew Woods, becomes deputy chairman.

The moves continue the strengthening of Saatchi & Saatchi's senior management in response to tougher business conditions.

Mr Warman and Mr Bannister, formerly joint chief executives of Saatchi's international advertising network, were appointed directors of the communications group — which provides 80 per cent of Saatchi's income — and given seats on the main board a year ago.

■ HARRODS has appointed Mr Jan Peacock as its director of restaurants.

■ JOHN MOWLEM & CO has made Mr J.C. Gains managing director of Mowlem Construction, a new division based on the joint resources of Mowlem Building and Mowlem Civil Engineering. He was previously managing director of Mowlem Northern.

Mr Christopher Smallwood has been appointed director of strategic development at TSB GROUP. He joins TSB from ICI, where he held a senior planning role.

■ Lord Birdwood has been appointed to the board of SCIENTIFIC GENERICS.

■ Mr Richard Perkins, formerly the senior property officer with Birmingham City Council's economic development unit, has been appointed assistant director at HIGH-POINT DEVELOPMENTS, a member of the High-Point Group.

■ Mr Stuart Ridge has become a director of BLETCHLEY MOTOR RENTALS. He was previously with Avica Equipment.

■ Mr Angus Clark has been appointed managing director of GR-STEIN, the refractories division of Hepworth. He was managing director of P.C. Henderson.

■ Mr Steve Pollard has been promoted from production manager to production director at FORTRESS INTERLOCKS, a subsidiary company in the safety division of Halma.

■ Mr Barry Jervis has joined THORN EMI MICROLOGIC as sales and marketing director. He was sales director at Datachecker.

■ At ORBITAL COMMUNICATIONS Mr Charles Hoare has become executive chairman and Mr David Varah finance director. Mr Hoare is executive deputy chairman of the Robert Fraser Group. Mr Varah was finance director of the Citylink Group.

■ The LONDON BULLION MARKET ASSOCIATION has appointed the following as members of the association's management committee: Mr Robert Guy, chairman, Mr Doug Bull, Mr Keith Smith, Mr Colin Griffith, Mr Martin Stokes, Mr Neil Newitt and Mr John Wolff.

■ Following Peabody Fine Foods' acquisition of F.J. Parsons & Co (Manchester), Mr Jim Dolan, formerly managing director of Parsons, has been appointed commercial director of PEABODY FINE FOODS.

■ Mr Philip Burrell has become managing director of GYPROC INSULATION. Mr Chris Blackford will replace him as director and general manager of Landor Cartons, part of the converting division of Davidsons. Both companies are part of the BPB Industries group.

■ Mr John Hedges and Mr Richard Smith have been appointed to the board of the HENDERSON ADMINISTRATION GROUP, the independent fund management group.

■ Mr J.C.M. Stirrat has been appointed to the board of the BURN STEWART GROUP as a director. He joined the company as financial controller and company secretary in August 1988.

■ Mr Jeremy Pinchin has been made company secretary of the SEDGWICK GROUP. He succeeds Mr George Hilton who has resigned. Ms Julia Fish has become director of corporate communications.

■ Mr Jim Hughes has become company secretary at ROYAL LIFE HOLDINGS. He was finance manager at Royal Reinsurance.

■ Following the retirement of Mr Rene M. van Dwyck, Mr Emrys Thomas has been appointed managing director of TRICO-FOLBERTH. Mr Thomas was a director of TRW Cam Gears.

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AUTHORISED UNIT TRUSTS

[illegible]

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ = 0001 to 1100 hours; ♦ = 1101 to 1400 hours; ♠ = 1401 to 1700 hours; ♣ = 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

Other explanatory notes contained in last column of the FT Unit Trust information pages.

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London WC2B 6SD 01-405 8331						
Convbl & Equity	5	63.18	65.86	70.06	+0.04	6.86
European	5	63.45	63.72	67.78	-0.20	0.89
Far Eastern	5	62.61	62.71	66.72	+0.79	0.76
Growth Inc	5	90.41	93.57	99.54	+0.87	1.37
Growth Acc	5	90.41	93.57	99.54	+0.87	1.37
Income Inc	5	83.56	85.18	90.61	-0.50	3.38
Income Acc	5	83.56	85.18	90.61	+0.50	3.38
Property Share	5	55.64	55.64	59.30	+0.37	1.00
Smaller Co's	5	58.97	62.17	66.14	+0.3	1.45
Formerly RBC Trust Managers Ltd						
Nth American	5	58.17	58.17	62.21	+0.78	1.72
International	5	45.79	45.79	48.97	+0.55	1.47
Wright Seligman Fund Mngrs Ltd (1000)H						
11 Blomfield St, London EC2M 7AY 01-588 0592						
Growth	5	99.58	99.58	104.58		3.92
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250						
Yorkshire General	5¼	63.87	66.29	70.32	+0.31	2.74
YUTM UK Eqy Inc Tst	5¼	60.68	62.79	66.80	+0.41	4.58
YUTM Intl Gwth Tst	5¼	48.86	48.86	52.17	+0.26	1.05

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Grs
Baillie Gifford & Co Ltd				
Int'l Expt April 19	451.9	470.5		
Cent. Bd. of Fin. of Church of England				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Inv Fund Apr 30	507.65			4.67
Fxd Int Sec Apr 30	141.15			10.13
Deposit Apr 30	100.00			12.45
Charities Official Invest. Fund				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Income Apr 30	480.64			4.97

INSURANCES

	Bid Price	Offer Price	+ or -	Yield Gross
Allied Dunbar Assurance Plc				
Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514				
Fixed Int. Dep. Acc.	259.2	272.9	+0.1	-
Equity Acc.	842.0	886.4	+8.3	-
Property Acc.	489.2	515.0	+0.3	-
Far East Acc.	205.2	216.0	-0.5	-
European Acc.	21.6	22.8	+0.1	-
Managed Acc.	664.4	699.4	+3.7	-
Managed Cap.	377.6	397.5	+0.2	-
O'seas Earnings Acc.	561.4	591.0	+6.0	-
Gilt Edged Acc.	314.5	330.9	+2.4	-
American Equity Acc.	441.4	464.7	+9.3	-
American Man. Acc.	205.0	215.8	+4.1	-
American Prop Acc.	143.6	151.0	+1.7	-
Pen. F.I. Dep. Cap.	285.6	300.7	+0.3	-
Pen. F.I. Dep. Acc.	487.9	513.6	+0.5	-
Pen. Prop. Cap.	572.2	602.4	+0.2	-
Pen. Prop. Acc.	1079.4	1136.3	+0.8	-
Pen. Man. Cap.	819.9	863.1	+8.7	-
Pen. Man. Acc.	1546.0	1627.4	+16.9	-
Pen. Gilt Edg. Cap.	316.6	333.3	+1.2	-
Pen. Gilt Edg. Acc.	487.0	513.5	+1.9	-
Pen. Eq. Cap.	1347.6	1418.6	+16.5	-
Pen. Eq. Acc.	1925.9	2027.3	+24.2	-
Pen. Am. Eq Cap.	144.4	152.1	+4.8	-
Pen. Am. Eq Acc.	174.0	183.2	+5.9	-
Pen. Far East Cap.	247.4	260.5	+3.0	-
Pen. Far East Acc.	298.1	313.8	+3.7	-
Pen. Euro Cap.	24.6	25.4	+0.1	-
Pen. Euro. Acc.	26.6	28.1	+0.1	-
Pen. B.S. Acc.	533.9	560.6	+0.6	-
Pen. B.S. Cap.	321.9	337.4	+0.3	-
Pen. D.A.F. Acc.	374.2	374.2	+0.4	-
Pen. D.A.F. Cap.	252.8	252.8	+0.2	-
Pen. Mortgage Cap.	143.9	151.5	+0.2	-
Pen. Mortgage Acc.	173.2	182.4	+0.2	-
Barrier Funds				
Pen Equ Cap.	28.3	29.8	+0.3	-
Pen Equ Acc.	29.3	30.9	+0.3	-
Pen Acc Eq Cap.	31.0	32.7	+0.9	-
Pen Acc Eq Acc.	32.5	34.0	+1.0	-

Continued on next page

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Premium Life Assurance Co Ltd

37-39, Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or –	Yield Gross
American	124.0	131.0	+4.0	–
Building Soc. Fd	170.0	179.0	----	–
Balanced	283.0	298.0	----	–
European	162.0	171.0	----	–
GT Managed	172.0	182.0	+3.0	–
Gartmore Mngd	115.0	122.0	----	–
German	112.0	118.0	----	–
Gilt	183.0	197.0	+1.0	–
Global	48.0	51.0	----	–
High Inc	119.0	126.0	----	–
International Equity	189.0	199.0	----	–
Japan	249.0	263.0	–1.0	–
Managed	64.0	68.0	----	–
Property	279.0	294.0	----	–
R. W. Imperial Gold	142.0	150.0	----	–
UK Equity	382.0	403.0	----	–
Pension Funds				
American	145.0	153.0	----	–
Building Soc. Fd	172.0	179.0	----	–
Balanced	217.0	229.0	+3.0	–
European	159.0	168.0	----	–
German	102.0	108.0	----	–
Gilt	152.0	160.0	----	–
International Equity	139.0	147.0	----	–
Japan	138.0	146.0	----	–
Managed	65.0	69.0	+1.0	–
Property	215.0	227.0	----	–
UK Equity	343.0	362.0	+2.0	–

Prolific Life & Pensions Ltd

Stramongate, Kendall Cumbria LA9 4BE 0539 33733

Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or –	Yield Gross
Balanced Gwth Mngd.	591.2	623.0	+5.4	–
Adventurous Mngd	125.6	132.4	+1.6	–
Secure Mngd	107.5	113.3	+0.7	–
Cash Fd	231.7	244.2	----	–
Property Fund	284.8	303.0	----	–
Equity Fund	658.9	701.0	+7.9	–

Prudential Pensions Limited

Holborn Bars, London EC1N 2NH

	Bid Price
Discretionary May 3	£152.21
Equity May 3	£166.89
International May 3	£25.14
Intl Bond May 3	£11.71
Fixed Int May 3	£72.15
Index Linked May 3	£60.62
Property May 3	£107.52
Cash May 3	£20.6384
Pru-Linked Retirement Plan	
Managed May 9	378.1
Cash May 9	194.1
Prudential Pensions Investment Accum	
Pens Mngd May 15	154.6
Pens UK Eq May 15	302.1
Pens Intl May 15	181.7
Pens Fixed May 15	165.3
Pens Index Lk May 15	158.0
Pens Cash May 15	126.0

Regency Life Assurance Co Ltd

Regency Hse, Lanark Sq, London E14

	Bid Price
Aggressive Pflio Fd	119.3
Balanced Pflio Fd	313.6
Cautious Pflio Fd	121.9
EIIM Fund	109.0
European Fund	80.6
Far East Fund	111.5
Fixed Interest Fund	242.9
International Fund	259.0
Money Fund	175.5
N. American Fd	117.9
Property Fund	422.5
UK Equity Fd	386.2
A.I M. Brewin Dolphin Fd	94.1
Swim Select Invs	110.6
Chart Safety First Bd	109.1
Exec. Master Fd	97.4

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

JERSEY (**)

FT UNIT TRUST INFORMATION SERVICE

ISLE OF MAN (**)

LUXEMBOURG (**)

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
99⅞	99¼	Treas 10½pc 1989	99⅞xd	.....	10.51	12.19
99⅞	98⅞	Exch 10pc 1989	99⅞	.....	10.05	12.28
99⅞	99¼	Exch 11pc 1989	99¼	.....	11.06	12.19
98	95⅝	Treas 5pc 1986-89	98	+⅛	5.11	10.04
99½	99⅛	Exch 10¼pcCv '89	99⅜	.....	10.30	11.08
101⅛	100¼	Treas 13pc 1990‡‡	100⅞	.....	12.92	11.88
99⅞	98⅞	Exch 11pc 1990‡‡	99¼	.....	11.07	11.84
101⅛	99⅞	Exch. 12¼pc 1990	100⅞	.....	12.45	11.93
94⅛	91⅞	Treas. 3pc 1990	94⅛xd	.....	3.19	9.50
96⅞	95⅝	Treas 8¼pc 1987-90‡‡	96⅞xd	.....	8.53	11.62
98⅞	95⅞	Treas. 8pc Cv 1990 ‡‡	96⅞	.....	8.28	11.14
98⅞	97⅛	Treas. 10pcCv 1990	97⅞	+⅛	10.23	11.72
91⅛	87⅞	Exch 2½pc 1990	91⅛xd	+⅛	2.75	8.96
101⅞	99⅞	Treas 11¾pc 1991	100⅛	.....	11.72	11.64
92⅞	89⅞	Funding 5¾pc '87-91‡‡	92⅞	+⅛	6.25	10.49
89⅛	86⅞	Treas. 3pc 1991	89½	+⅛	3.36	9.05
100⅛	96⅞	Treas 10pc Cv '91 ‡‡	97⅝	-⅛	10.25	11.31
101⅛	98⅞	Exch. 11pc 1991	99⅛	.....	11.08	11.35
94⅛	91⅞	Treas. 8pc 1991	92⅞xd	.....	8.62	11.29
106⅞	102⅞	Treas 12¾pc 1992‡‡	103⅞	.....	12.27	11.00
99½	96½	Treas 10pc 1992	97⅞	.....	10.25	11.05
94⅛	91½	Treas. 8pc 1992 ‡‡	92⅛	-⅛	8.64	11.04
100⅛	97⅞	Treas 10½pc Cv 1992‡‡	98⅞	-⅛	10.64	11.00
85⅞	82¼	Treas. 3pc 1992	84⅞xd	+⅛	3.56	8.95
105⅞	102⅞	Exch. 12¼pc '92	103⅞	-⅛	11.86	11.01
109¼	105⅞	Exch 13½pc 1992	107⅛	.....	12.62	10.93
94⅛	90⅞	Treas 8¼pc 1993	92⅛	-⅛	8.94	10.79
100⅛	96⅞	Treas 10pc 1993‡‡	98	-⅛	10.21	10.64
108¼	104⅞	Treas 12½pc 1993‡‡	105⅞	-⅛	11.82	10.74
87¾	84¼	Funding 6pc 1993‡‡	86¼	+⅛	6.98	10.07
113¼	109⅞	Treas 13¾pc 1993‡‡	110⅞xd	-⅛	12.42	10.68
94⅜	90⅞	Treas. 8½pc 1994	92⅛	-⅛	9.23	10.65
117⅞	113⅞	Treas 14½pc 1994‡‡	114⅞	-⅛	12.64	10.48
113⅞	109⅞	Exch 13½pc 1994	120⅞	-⅛	12.22	10.70

Five to Fifteen Years

BRITISH FUNDS—Contd

Over Fifteen Years

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
106⅞	101¼	Treas. 10pc 2004	102⅝xd	-⅛	[illegible]	9.66
59⅞	57⅝	Funding 3½pc '99-04	57⅞	+⅛	6.0[illegible]	8.52
102⅞	97⅞	Conversion 9½pc 2004	99⅞	-⅛	9.5[illegible]	9.58
103⅞	98⅞	Conversion 9½pc 2005	99⅞	-⅛	[illegible]	9.55
111⅞	106⅞	Exch. 10½pc 2005	107⅞	-⅛	9.7[illegible]	9.55
125⅞	119⅞	Treas. 12½pc 2003-05	120⅞xd	-⅛	10.[illegible]	9.78
90⅞	86⅞	Treas. 8pc 2002-06‡‡	87⅞	-⅛	9.[illegible]	9.47
105⅞	101⅛	Conversion 9¾pc 2006	102¼	-⅛	9.[illegible]	9.48
118⅞	113⅛	Treas. 11¾pc 2003-07	114⅞	-⅛	10.[illegible]	9.78
96⅞	91⅞	Treas 8½pc 2007 ‡‡	92⅞	-⅛	9.1[illegible]	9.32
134⅞	127⅞	Treas. 13½pc '04-08	129⅞	-⅛	10.4[illegible]	9.70
101⅛	96⅛	Treas. 9pc 2008 ‡‡	97⅞	-⅛	9.[illegible]	9.27
92⅞	87⅝	Treas 8pc 2009	89	-⅛	8.[illegible]	9.19
102⅛	97⅛	Conv 9pc Ln 2011 ‡‡	98⅞	-⅛	9.1[illegible]	9.16
68⅞	65⅞	Treas. 5½pc 2008-12‡‡	66⅞	+⅛	[illegible]	8.98
89⅞	85⅝	Treas. 7¾pc 2012-15‡‡	86⅞	+⅛	8.[illegible]	9.09
132⅛	126⅛	Exch. 12pc '13-'17	127⅝xd	-⅛	9.4[illegible]	9.16

Undated

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Contd

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
24½	21¼	Dana Corp $1	24½	+⅜	$1[illegible]	–	3.8
10⅞	854p	Data General	10	.....		–	–
32¼	28½	Dun & Bradstreet $1	31	.....	$2[illegible]	–	3.8
36¼	30½	Eaton Corpn 50c	36¼xd	+1⅛	h$2[illegible]	–	3.2
10⅜	8⅞	Echlin Inc	10⅜xd	+⅜		–	4.0
18⅞	16⅜	FPL Group 1c	18⅞xd	+⅛	$2.[illegible]	–	6.8
32⅛	27⅝	Ford Motor $1	29⅞	+⅞	$3.[illegible]	–	6.0
36⅞	30⅞	GATX 62½c	36⅞	+⅞	$2.[illegible]	–	3.2
31⅛	24¾	Gen. Elect. 63c	31⅝xd	+2⅞	$1.[illegible]	–	3.1
567p	484p	♥General Host Corp $1	534p	....		–	3.1
23⅞	18¼	Gillette $1	23⅞	+½		–	2.3
770p	616p	Gt Am First Sgs Bk $1	770p	+25	60c	–	4.6
19⅞	16⅞	Greyhound $1½	18⅜	.....	$1.32	–	4.3
11½	847p	Hasbro Inc 50c	11⅛xd	+½	16c	–	0.8
8½	6	Home Group $1	8½xd	+⅛	20c	–	1.4
47¼	32¾	Honeywell $1½	47¼	+1⅛	$2.10	–	2.6
17¾	15⅛	Houston Inds ‖	17¾	+¼	$2.96	–	4.7
74⅝	63⅞	IBM Corpn $1¼	67⅞xd	+1⅞	$4.84	–	4.2
52p	45p	♥Image Storage/R Sys 1c ♥	45p	....	–	–	–
24⅞	18½	Ingersoll-Rand $2	24⅞xd	+⅞	$1.04	–	2.5
29⅝	22½	Lockheed Crpn $1	28½xd	–⅛	$1.60	–	3.3
18⅞	15⅞	Lone Star Inds $1	17⅞xd	–⅛	$1.90	–	6.2
21¼	17½	Louisiana Land 15c	21xd	+¼	$1.00	–	2.8
15½	11½	Lowe's 50c	21¼	+⅛	48c	–	1.8
21⅞	15⅞	Manuf. Hanover $1	20⅞	+⅞	$3.28	–	4.4
17⅞	13⅞	Merrill Lynch $1	17⅞	+⅞	$1.00	–	3.3
2253p	1910p	Molex Inc	2054p	+22	3.2c	–	–
23⅝	18¼	*Morgan (JP) $2½*	22½xd	+1⅛	$1.66	–	4.3
45⅝	36⅛	NYNEX $1	45⅝	+1⅛	$4.04	–	5.2
22¼	18¼	PHH Corp. ‖	22¼	+⅛	$1.12	–	2.4
244p	220p	♥Pacific Agr.‖	243p	......	–	–	–
23⅛	19	Pacificorp $3¼	21⅛	+¼	$2.64	–	6.7
24⅛	16⅞	Pacific Telesis 10c	24½	+1⅛	$1.88	–	4.5
19¼	15¼	Pall Corp. 25c	19¾	+1⅛	48c	–	1.4
50⅞	39⅞	Pennzoil 83 1/3c	50⅞xd	–⅛	$3.00	–	3.4
22⅞	17⅞	Premark Intl	22⅞	+⅞	60c	–	1.6
34¼	28⅛	Quaker Oats $5	34¼xd	+⅞	$1.20	–	2.0
26¼	23½	*Rep NY Corpn $5*	26½	+½	$1.28	–	2.8
13½	11⅞	Rockwell Intl. $1	21½xd	+⅛	72c	–	3.1
30⅝	21⅝	Southwestern Bell $1	30⅝	+1¼	$2.48	–	4.7
24	17⅞	Sun Co. Inc. $1	24xd	+½	$1.80	–	4.4
26¼	22⅞	TRW Inc. 62½c	26½xd	+⅜	$1.72	–	3.8
19½	14⅛	TW Services $5	19½	+⅛	10c	–	0.3
32¼	26⅞	Tenneco $5	32¼	+⅛	$3.04	–	5.5
32¼	28	Texaco $6.25	32¼xd	+⅜	●$3.00	–	5.3
25⅞	21⅝	Texas Instr. $1	24½xd	+¼	72c	–	1.7
72¼	58⅛	Time Inc. $1	72⅛	+⅞	$1.00	–	0.8
17⅛	15⅞	*TRINOVA Corp.*	16½xd	+¼	*s64c*	–	2.3
20¼	16	USX $1	20½xd	+½	$1.40	–	3.4
164p	126p	♥Unilab	162p	.....	–	–	–
31½	22⅞	Utd. Technologies	31½	+1¼	$1.60	–	3.0
158p	128p	♥Unitech Inc.	134p	.....	–	–	–
41	31½	US West‖	41	+1⅞	$3.7[illegible]	–	5.4
29⅞	22⅞	Waste Management $1	29⅞xd	+¼		–	0.9
18¼	13½	Whirlpool $1	18¼	+⅛	$1.1[illegible]	–	3.5
20¼	16⅞	Whitman Corp	20⅞xd	+⅞		–	2.7
31⅞	28⅛	♥Woolworth $3½	31⅛	+1	$1.[illegible]	–	3.1

CANADIANS

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
157p	129p	♥ABM Gold Corp ‖	134p	–5	–	–	–
23⅞p	4½p	♥Abbot Energy Corp	12⅞p	+1⅛	–	–	–
21¼	902p	♥Amer. Barrick Res.	12½	....	–	–	–
3¼p	2⅛p	♥Amer. Lightwave ‖	2½p	.....	–	–	–
19⅞p	12¼p	♥*Armeno*	12¼p	–¼	–	–	–
316p	94p	♥Asiamerica Hldgs‖	313p	+16	–	–	–
33¼p	19p	♥Augmitto Expln.	19p	–1	–	–	–
15⅝	12⅞	Bk. Montreal ‖	21⅝	+⅛	$2.12	–	6.9
879p	655p	Bk. Nova Scot. ‖	879p	+38	84c	–	4.8
14⅝	17	BCE ‖	19⅛	+⅛	$2.44	–	6.4
784p	570p	♥Bow Valley‖	784p	+13	40c	–	2.6

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS — Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Contd

ELECTRICALS

ENGINEERING

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.)—Contd.

INSURANCES

LONDON SHARE SERVICE

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INSURANCES—Contd

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING — Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

For Oil Group see Recent Issues

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

1989 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]								
113	100	UPL Group 10p ...y	108	...	2.75	●	3.7	●
147	135	Uni Group ...y	135	...	F7.5	2.9	7.4	7.7
14	5	Vista Ents 5p ...y	13¼	...	-	-	-	-
40	37	Vizcaya Hldgs 5p ...y	38	...	-	-	-	-
35½	23	Whitegate Leisure 20p y	34	+½	-	-	-	-
19	10	Do. Wrnts ...y	19	...	-	-	-	-
9¼	5	Wilton Group 1p ...y	8½	+¼	-	-	-	-

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ☆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- 0 Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989 K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: ɸ ex dividend; ɛ ex scrip issue; ɾ ex rights; ɑ ex all; ɗ ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p ... y	99d	+1
Craig & Rose £1 ... y	720	.....
Finlar Pkg 5p ... y	91	.....
Holt (Jos) 25p ... y	1313d	.....

IRISH

Cap 8½% Ln. 1991	£98	.....
9pc Cap Ln 1996	£97¾	.....
Fin. 13% 97/02	£118	...
Arnotts	450	.....
Carrol (P.J.) ... y	155	+1
Hall (R. & H.)	155	.....
Helton Hldgs ... y	81½	.....
Irish Ropes	197	-4

TRADITIONAL OPTIONS
3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	18
BAT	40
BOC Grp	36
BSR	7½
BTR	26
Barclays	34
Beecham	40
Blue Circle	39
Boots	20
Bowaters	38
Brit Aerospace	42
Brit Telecom	21
Burton Ord	18
Cadburys	31
Charter Cons	45
Comm Union	28
Courtaulds	26
FKI Babcock	13
FNFC	21
Gen Accident	71
GEC	15
Glaxo	90
Grand Met	30
GUS 'A'	90
Guardian	16
GKN	28
Hanson	12
Hawker Sidd	48
ICI	85
Jaguar	22
Ladbroke	38
Legal & Gen	26
Lex Service	34
Lloyds Bank	29
Lucas Inds	40
Marks & Spencer	15
Midland Bk	35
Morgan Grenfell	28
NEI	12
Nat West Bk	45
P & O Dfd	48
Plessey	15
Polly Peck	28
Racal Elect	25
RHM	32
Rank Org Ord	63
Reed Intnl	30
STC	24
Sears	13
TI	32
TSB	9
Tesco	12
Thorn EMI	55
Trust Houses	20
T&N	16
Unilever	42
Vickers	15
Wellcome	42

Property	
Brit Land	30
Land Securities	57
MEPC	50

Oils	
Brit Petroleum	21
Do. Int. Certs	12
Burmah Oil	48
Calor	35
Charterhall	2½
Premier	9
Shell	85
Ultramar	21

Mines	
Cons Gold	100
Lonrho	30
RTZ	40

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar's surge continues

THE DOLLAR continued its upward surge yesterday, in trading generally confined to London, and the main North American financial centres. Most of Continental Europe was on holiday for Whit Monday, meaning there was little opportunity for co-ordinated central bank intervention, but the US Federal Reserve, Bank of Canada and Bank of Japan all sold dollars during the day.

After Friday's intervention failed to stem the dollar's advance, there was reason to believe that any central bank re-entering into the market would be fairly circumspect, and this seemed true of the Federal Reserve. The US authorities sold dollars at around DM1.9410 and Y137.10, but the intervention appeared to be moderate and was only partly the reason the dollar finished below the day's highs.

The other factors was that trading was relatively thin with so many centres closed, and the dollar simply ran out of steam, after failing to establish a firm base above a technical resistance point of DM1.9450.

A rise of 0.4 per cent in April US industrial production was larger than market forecasts of 0.2 to 0.3 per cent, but recent indications of a slowdown in the US economy were underlined by sharp falls in Ford's and Chrysler's early May sales of cars and commercial vehicles.

As the market began to look towards a possible easing of the Federal Reserve's monetary stance, coupled with tightening in West Germany and Japan, the dollar continued to advance. This may seem contradictory, but was based on the belief that US investments are attractive at the present level and that prices of US Treasury bonds will rise. Doubts about the interest rate situation mean there is no similar attraction in German and Japanese paper.

The Bank of Japan probably intervened three times in Tokyo yesterday, selling in the region of $500m at levels below Y137.00, but this was not enough to dent the market's enthusiasm for the dollar. It touched a peak of Y137.65 in Europe and closed at Y137.20, compared with Y135.90 on Friday.

The dollar rose above DM1.9400 during the morning in London, advancing to a peak of DM1.9496, touching its highest level since December 1986, before closing at DM1.9420, against DM1.9190 at the previous close.

In terms of the Swiss franc, the dollar rose to SFr1.7355 from SFr1.7175 and in terms of the French franc to FFr6.5625 from FFr6.4900.

Sterling continued to attract little attention and moved in line with the D-Mark, losing ground to the very strong dollar. The pound fell 2 cents to $1.6395, the lowest closing level since October 1987, but finished unchanged at DM3.1850 and SFr2.8500. It declined to Y225.00 from Y225.50 and to FFr10.7600 from FFr10.7700.

The dollar's index, on Bank of England figures, rose to 70.4 from 69.3, the highest since the index was rebased at the beginning of the year, while sterling's index fell 0.6 to 94.6, the lowest since the index was rebased.

£ IN NEW YORK

May.15	Latest	Previous Close
£ Spot	1.6370-1.6380	1.6610-1.6620
1 month	0.42-0.41pm	0.40-0.38pm
3 months	1.27-1.25pm	1.27-1.24pm
11 months	4.63-4.53pm	4.60-4.50pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	May.15	Previous
8.30 am	94.9	95.1
9.00 am	94.9	95.1
10.00 am	94.9	95.1
11.00 am	94.8	95.2
Noon	94.7	95.1
1.00 pm	94.7	95.1
2.00 pm	94.9	95.3
3.00 pm	94.7	95.3
4.00 pm	94.6	95.2

CURRENCY RATES

May.15	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.768969	N/A
U.S Dollar	7	1.27818	N/A
Canadian $	12.39	1.51707	N/A
Austrian Sch.	5	17.2439	N/A
Belgian Franc	7.75	51.2646	N/A
Danish Krone	7½	9.54289	N/A
Deutsche Mark	4.50	2.45091	N/A
Neth.Guilder	5.50	2.76406	N/A
French Franc	9½	8.28516	N/A
Italian Lira	13½	1786.42	N/A
Japanese Yen	2½	173.321	N/A
Norway Krone	8	8.86737	N/A
Spanish Peseta	-	152.601	N/A
Swedish Krona	9½	8.28772	N/A
Swiss Franc	4.5	2.18888	N/A
Greek Drach.	20½	208.481	N/A
Irish Punt	-	0.916918	N/A

*All SDR rates are for May.12

CURRENCY MOVEMENTS

May.15	Bank of England Index	Morgan** Guaranty Changes %
Sterling	94.6	-16.8
U.S Dollar	70.4	-8.3
Canadian Dollar	103.6	+0.3
Austrian Schilling	106.4	+9.9
Belgian Franc	105.5	-6.2
Danish Krone	102.5	-2.1
Deutsche Mark	112.1	+20.3
Swiss Franc	102.3	+11.7
Guilder	109.6	+12.9
French Franc	99.1	-15.3
Lira	97.9	-19.7
Yen	144.3	+76.2

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100)**Rates are for May.11.

OTHER CURRENCIES

May.15	£	$
Argentina	181.60-181.90	110.80-110.90
Australia	2.1045-2.1065	1.2845-1.2855
Brazil	1.7865-1.7960	1.0900-1.0950
Finland	7.0855-7.1065	4.2480-4.2500
Greece	268.70-273.05	163.30-165.90
Hong Kong	12.7360-12.7490	7.7740-7.7760
Iran	120.00*	71.20*
Korea(Sth)	1099.65-1108.50	663.80-669.20
Kuwait	0.47820-0.47920	0.29200-0.29250
Luxembourg	66.60-66.70	40.60-40.70
Malaysia	4.4105-4.4215	2.6940-2.6960
Mexico	4013.90-4018.00	2449.00-2450.00
N. Zealand	2.6880-2.6930	1.6405-1.6430
Saudi Ar.	6.1430-6.1475	3.7500-3.7510
Singapore	3.2115-3.2170	1.9600-1.9620
S. Af (Cm)	4.3590-4.3700	2.6625-2.6655

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu May.12	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.5919	+2.67	+0.93	±1.5344
Danish Krone	7.85212	8.10782	+3.26	+1.52	±1.5404
German D-Mark	2.05853	2.08263	+1.17	-0.57	±1.0981
French Franc	6.90403	7.04043	+1.98	+0.24	±1.3674
Dutch Guilder	2.31943	2.34739	+1.21	-0.53	±1.5012
Irish Punt	0.768411	0.779342	+1.42	-0.32	±1.6684
Italian Lira	1483.58	1517.70	+2.30	+1.27	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

May.15	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6335-1.6530	1.6390-1.6400	0.43-0.42cpm	3.11	1.28-1.23pm	3.06
Canada	1.9500-1.9565	1.9515-1.9525	0.14-0.05cpm	0.58	0.45-0.29pm	0.76
Netherlands	3.58-3.59½	3.58¼-3.59¼	1¾-1⅝cpm	5.64	5-4⅞pm	5.37
Belgium	66.40-66.85	66.60-66.70	28-25cpm	4.77	77-73pm	4.50
Denmark	12.36½-12.40½	12.39-12.40	4⅝-4orepm	4.18	12-11⅛pm	3.75
Ireland	1.1870-1.1940	1.1895-1.1905	0.40-0.35cpm	3.78	1.00-0.90pm	3.19
W. Germany	3.18-3.19¼	3.18¼-3.18½	1¾-1⅝pfpm	6.36	4¾-4½pm	5.81
Portugal	261.00-263.30	262.30-263.30	10-17cdis	-0.62	par-86cdis	-0.65
Spain	197.90-198.75	198.10-198.40	20-9cpm	0.88	25-6pm	0.31
Italy	2311¾-2317¼	2312½-2313½	3-10liredis	-1.04	8-6pm	-1.21
Norway	11.42¾-11.49¼	11.48¼-11.49¼	2¼-1¼orepm	1.83	6½-5¼pm	2.07
France	10.74¼-10.78¾	10.75½-10.76½	3⅞-3⅛cpm	4.18	10¾-10½	3.97
Sweden	10.72½-10.76½	10.73¾-10.74¾	1⅝-1⅛orepm	1.68	4⅜-3⅞pm	1.54
Japan	224½-226	224½-225½	1¾-1⅝ypm	8.67	4½-4¼pm	7.78
Austria	22.34-22.42	22.39-22.42	10⅝-8¾grpm	5.19	32½-27¼pm	5.33
Switzerland	2.84½-2.86¼	2.84½-2.85½	2¼-1¼cpm	5.79	4-3¾pm	5.44

Belgian rate is convertible francs. Financial franc 66.85-66.95. Six-month forward dollar 2.57-2.52cpm 12 months 4.66-4.56cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

May.15	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6335-1.6530	1.6390-1.6400	0.43-0.42cpm	3.11	1.28-1.23pm	3.06
Ireland†	1.3705-1.3830	1.3765-1.3775	0.12-0.17cdis	-1.27	0.18-0.28dis	-0.67
Canada	1.1885-1.1940	1.1900-1.1910	0.23-0.27cdis	-2.52	0.66-0.72dis	-2.32
Netherlands	2.1770-2.1960	2.1870-2.1880	0.50-0.48cpm	2.68	1.27-1.23pm	2.28
Belgium	40.40-40.80	40.60-40.70	6.50-5.00cpm	1.69	15.50-12.50pm	1.37
Denmark	N/A	7.55¾-7.56¼	0.80-0.55orepm	1.07	1.35-0.95pm	0.61
W. Germany	1.9265-1.9495	1.9415-1.9425	0.54-0.51pfpm	3.24	1.31-1.27pm	2.65
Portugal	160.10-160.65	160.35-160.45	42-57cdis	-3.71	125-175dis	-3.75
Spain	120.45-121.30	120.90-121.00	15-25cdis	-1.98	75-85dis	-2.64

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 40.75-40.85.

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

MONEY MARKETS

London rates steady

CONFLICTING PRESSURES dominated the world interest rate scene yesterday. Friday's lower than expected rise in April US producer prices increased speculation that the Federal Reserve will ease its monetary policy. The Federal Open Market Committee meets today, while on Thursday the West German Bundesbank council meets and the financial markets will not be totally surprised if this results in a rise in key German rates.

Interest rates in London were little changed as domestic considerations, including inflation, mean there is little prospect of lower UK bank base rates. Three-month sterling interbank closed unchanged at 12⅞-12¾ per cent.

UK clearing bank base lending rate 13 per cent from November 25

The Bank of England initially forecast a money market credit shortage of £100m, but revised this to £200m at noon. Help of £235m was provided before lunch, when the authorities bought bank bills in band 1 at 12⅞ per cent. The Bank of England did not operate in the market in the afternoon.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £566m, with bank balances below target absorbing £125m. These factors outweighed Exchequer transactions adding £100m to liquidity and a fall in the note circulation of £510m.

In Tokyo the strength of the dollar against the yen increased expectations of a rise in the Bank of Japan's discount rate. Long-term credit banks may raise their long term prime rates by 0.2 per cent to 5.8 per cent from June 1, but only if the Bank of Japan increases its discount rate, according to dealers.

The Bank of Japan may be waiting for more information on inflation. Japanese wholesale prices for April will be published this Friday and the April consumer price index on the following Friday.

The Bank of Japan bought Y700bn of one-week bills yesterday at the market rate of 4 13/32 per cent, to offset a market shortage of Y710bn, giving no clue to the official attitude on rates.

A decision on long term prime rates will be made on May 25. Pressure for higher rates has followed a rise in yields on bank debentures on the secondary market.

In Rome the Bank of Italy drained liquidity from the banking system via a reverse securities repurchase tender. The weighted average rate at the tender for fixed rate Treasury bills rose to 11.62 per cent, from 11.59 per cent at the previous tender.

FT LONDON INTERBANK FIXING

(11.00 a.m. May.15) 3 months US dollars		6 months US Dollars	
bid 9½	offer 9⅝	bid 9½	offer 9⅝

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	11½
Broker loan rate	10¾-½
Fed.funds	9⅝
Fed.funds at intervention	-

Treasury Bills and Bonds

One month	8.16	Three year	8.84
Two month	8.54	Four year	8.80
Three month	8.49	Five year	8.84
Six month	8.72	Seven year	8.81
One year	8.81	10-year	8.80
Two year	8.89	30-year	8.84

May.15	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	6.05-6.15	6.50-6.65	6.55-6.70	6.65-6.80	6.85-7.00	6.50
Paris	8⅜-8½	8½-8⅝	8⅝-8¾	8⅞-8⅞	8¾-8⅞	7.25
Zurich	6⅞-6⅞	7-7¼	-	7-7¼	-	-
Amsterdam	6.75-6.88	7.05-7.15	-	7.25-7.35	-	-
Tokyo	4¼-4⅝	4⅞-4⅞	-	4⅞-4⅞	-	-
Milan	12¼-12¾	12¼-12¾	-	12¼-12¾	-	-
Brussels	8.60	8¼-8¼	-	8⅛-8¼	-	-
Dublin	7¼-8	8¼-9	9⅛-9½	9¼-9½	9⅛-9½	-

LONDON MONEY RATES

May.15	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	12⅝	12½	12⅞	12 15/16	12 15/16	12⅞
Interbank Bid	11¾	12¼	12½	12¾	12 13/16	12¾
Sterling CDs	-	-	12 11/16	12 13/16	12 15/16	12 13/16
Local Authority Deps.	12½	12½	12⅝	12 13/16	12 15/16	12⅝
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	12½	12⅛	12⅝	12½	-	-
Company Deposits	-	-	12⅝	12 13/16	12 15/16	12⅞
Finance House Deposits	-	-	12⅞	12⅞	12⅞	12⅞
Treasury Bills (Buy)	-	-	12 7/32	12⅝	-	-
Bank Bills (Buy)	-	-	12⅝	12 13/16	12¾	-
Fine Trade Bills (Buy)	-	-	12 11/16	13 1/32	12¾	-
Dollar CDs	-	-	9.60	9.55	9.50	9.50
SDR Linked Dep Offer	-	-	8¼	8⅜	8½	8⅝
SDR Linked Dep Bid	-	-	8	8¼	8¼	8⅜
ECU Linked Dep Offer	-	-	8⅞	8 13/16	8 13/16	9¼
ECU Linked Dep Bid	-	-	8⅞	8⅞	8 11/16	9

Treasury Bills (sell); one-month 12¼ per cent; three months 12 5/32 per cent; Bank Bills (sell): one-month 12 3/32 per cent; three months 12 13/32 per cent; Treasury Bills; Average tender rate of discount 12.2451 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day April 28, 1989. Agreed rates for period May 24,1989 to June 25, 1989, Scheme I: 13.96 p.c., Schemes II & III: 14.43 p.c. Reference rate for period April 1 to April 28, 1989, Scheme IV&V: 13.209 p.c.Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 13½ from May.1, 1989. Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 9½ per cent; one-three months 11 per cent; three-six months 11 per cent; six-nine months 11 per cent; nine-twelve months 11 per cent; Under £100,000 9½ per cent from December 1,1988. Deposits withdrawn for cash 5 per cent.

FINANCIAL FUTURES

Short sterling futures weak

JUNE SHORT sterling futures fell to 87.02 from 87.07 in quiet trading on the Liffe market yesterday. A long walk to work or sitting in a long traffic jam, as London bus crews and underground train workers held a one-day strike, reminded traders of the present mood of industrial unrest in some sectors of the UK economy.

This gave the market a depressed tone during a week when attention will turn to economic performance and particularly any sign of rising earnings. UK employment data will be published on Thursday and, according to a survey by MMS International, it is generally expected that the rise in average earnings in March will show unchanged growth of 9.25 per cent.

Other market sensitive figures on money supply, bank lending and the retail prices index will be announced on Friday. A rise of 1.4 per cent is expected in the April RPI, taking the year-on-year inflation rate down to 7.7 per cent from 7.9 per cent.

LIFFE LONG GILT FUTURES OPTIONS

LIFFE US TREASURY BOND FUTURES OPTIONS

LIFFE BUND FUTURES OPTIONS

LIFFE £/$ OPTIONS

LIFFE EURODOLLAR OPTIONS

LIFFE SHORT STERLING

LONDON (LIFFE)

PHILADELPHIA SE £/$ OPTIONS

CHICAGO

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Jun	0.5750	0.5774	0.5742	0.5837
Sep	0.5779	0.5802	0.5773	0.5869
Dec	0.5802	0.5835	0.5812	0.5907

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Jun	315.95	316.60	315.90	316.00
Sep	320.20	320.90	320.20	320.30
Dec	324.70	325.10	324.70	324.60

Estimated Volume 2135 (4092)
Previous day's open int. 20555 (20317)

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6395	1.6363	1.6270	1.6140	1.5934

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Jun	1.6344	1.6412	1.6316	1.6564
Sep	1.6214	1.6280	1.6180	1.6440
Dec	1.6130	1.6150	1.6130	1.6344

BASE LENDING RATES

	%		%		%
ABN Bank	13	Clydesdale Bank	13	NatWestminster	13
Adam & Company	13	Comm.Bk.N.East	13	Northern Bank Ltd	13
AAB-Allied Arab Bk	13	Co-operative Bank	*13	Norwich Gen. Trust	13
Allied Irish Bank	13	Coutts & Co	13	PRIVATbanken Limited	13
● Henry Ansbacher	13	Cyprus Popular Bk	13	Provincial Bank PLC	14
ANZ Banking Group	13	Dunbar Bank PLC	13	R. Raphael & Sons	13
Associates Cap Corp	12	Duncan Lawrie	13	Roxburghe G'rantee	13½
Authority Bank	13	Equatorial Bank plc	13	Royal Bk of Scotland	13
● B & C Merchant Bank	13	Exeter Trust Ltd	13½	Royal Trust Bank	13
Bank of Baroda	13	Financial & Gen. Bank	13	● Smith & Williamson Secs.	13
Banco Bilbao Vizcaya	13	First National Bank Plc.	14	Standard Chartered	13
Bank Hapoalim	13	● Robert Fleming & Co.	13	TSB	13
Bank Credit & Comm	13	Robert Fraser & Ptnrs.	13½	United Bk of Kuwait	13
Bank of Cyprus	13	Girobank	13	United Mizrahi Bank	13
Bank of Ireland	13	● Guinness Mahon	13	Unity Trust Bank Plc	13
Bank of India	13	HFC Bank plc	13	Western Trust	13
Bank of Scotland	13	● Hambros Bank	13	Westpac Bank Corp.	13
Banque Belge Ltd	13	Heritable & Gen Inv Bnk	13	Whiteaway Laidlaw	13½
Barclays Bank	13	● Hill Samuel	§13	Yorkshire Bank	13
Benchmark Bank PLC	13	C. Hoare & Co.	13		
Berliner Bank AG	13	Hongkong & Shangh	13		
Brit Bk of Mid East	13	● Leopold Joseph & Sons	13		
● Brown Shipley	13	Lloyds Bank	13		
Business Mtge Tst	13½	Meghraj Bank Ltd	13		
CL Bank Nederland	13	McDonnell Douglas Bnk	13		
Central Capital	13	Midland Bank	13		
● Charterhouse Bank	13	Mortgage Express Ltd.	‡13.75		
Citibank NA	13	Mount Bnkg Corp.	13		
City Merchants Bank	13	Nat Bk. of Kuwait	13		

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Because of a public holiday in the Netherlands, the European Traded Options table was not available for this edition.

COMPANY NOTICES

FIDELITY BALANCED PORTFOLIO
Société d'Investissement à Capital Variable
5, boulevard de la Foire
R.C. Luxembourg B25918

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the ANNUAL GENERAL MEETING of the Shareholders of FIDELITY BALANCED PORTFOLIO, a Société d'Investissement à Capital Variable organized under the laws of the Grand Duchy of Luxembourg (the «Fund»), will be held at the registered office of the Fund, 5, boulevard de la Foire, Luxembourg, at 11 a.m. on May 25, 1989, specifically, but without limitation, for the following purposes:

1. Presentation of the Report of the Board of Directors;
2. Presentation of the Report of the Auditor;
3. Approval of the balance sheet and income statement for the fiscal year ended January 31, 1989;
4. Ratification of the co-option of Jean Hamilius as a Director of the Fund in replacement of Compagnie Fiduciaire;
5. Election of seven (7) Directors, specifically the reelection of the following seven (7) present Directors: Messrs. Edward C. Johnson 3d, William L. Byrnes, Charles A. Fraser, Jean Hamilius, Hisashi Kurokawa, John M.S. Patton and H.F. van den Hoven;
6. Election of the Auditor, specifically the election of Coopers & Lybrand, Luxembourg;
7. Declaration of dividends on the Fund's Class A and Class B shares in respect of the Fiscal Year ended January 31, 1989;
8. Consideration of such other business as may properly come before the meeting.

Approval of the above items of the agenda will require the affirmative vote of a majority of the shares present or represented at the Meeting with no minimum number of shares present or represented in order for a quorum to be present. With respect to item 7, each class will vote separately its approval of the dividend to be paid on shares of that class; the affirmative vote of a majority of the shares of that class present or represented at the meeting will be required in addition to the affirmative vote of a majority of the vote of the combined classes present or represented at the meeting to approve the dividend.

Subject to the limitations imposed by the Articles of Incorporation of the Fund with regard to ownership of either or both Class A and Class B shares which constitute in the aggregate more than three percent (3%) of the outstanding shares of both classes, each share is entitled to one vote. A shareholder may act at any meeting by proxy.

Dated: April 25, 1989 — By order of the Board of Directors

SOCIETE NATIONALE DES CHEMINS DE FER FRANCAIS
SNCF

U.S. Dlrs 50,000,000.- Floating Rate Notes Due 1991
Unconditionally guaranteed by
The Republic of France

Notice is hereby given pursuant to the terms and conditions of the notes that for the six months from May 15th 1989 to November 15th 1989

The notes will carry an interest rate of 10.25% per annum. On November 15th 1989, interest of U.S. Dlrs 5,239.58 will be due per U.S.Dlrs 100,000.- note for coupon N.13.

Banque Indosuez Luxembourg
(Fiscal Agent)

COMMERCIAL BANK OF THE NEAR EAST PLC

Holders of Share Warrants to Bearer are informed that they will receive payment of the dividend for 1988 of 20p per share on and after 18th May 1989 upon presentation of the Share Warrant, together with a statement of their name and address, at the office of the Bank, Bankside House, 107-112, Leadenhall Street, London EC3A 4AE. Share Warrants must be left at the Bank for three clear days.

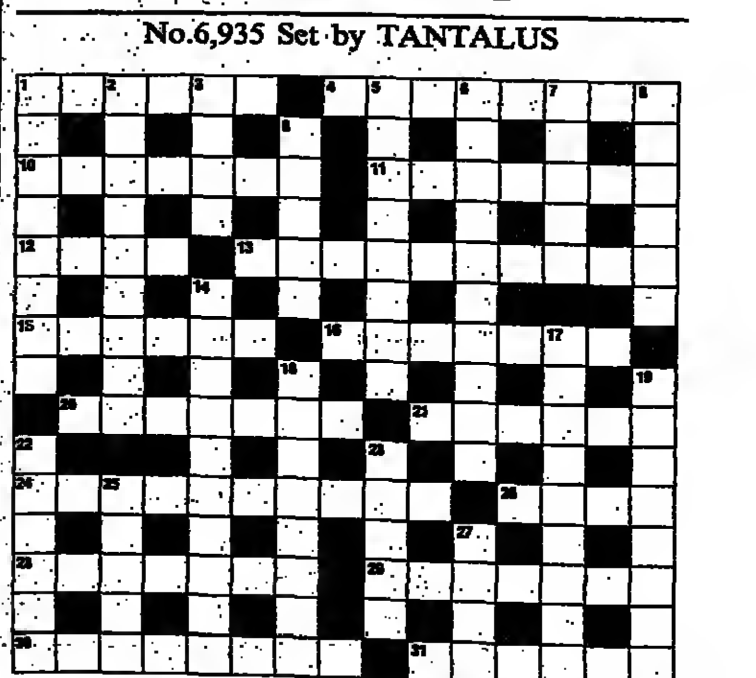
D. L. OSBORNE,
Secretary

Bankside House,
107-112, Leadenhall Street,
London EC3A 4AE

JOTTER PAD

CROSSWORD

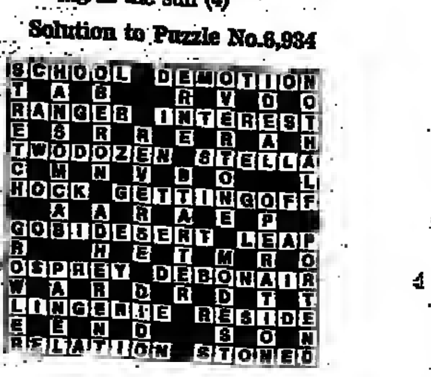
No.6,935 Set by TANTALUS



ACROSS
1 About to go to the high sea for stay (6)
4 Ugly person gets neuralgia (8)
10 Soldier to make mistake in rank (7)
11 Withdrawn pensioner? (7)
12 Passable food we hear (4)
13 Eager desire may cause a pair to aim (10)
15 Artist and doctor join the French for country walk (6)
16 Dish two swimmers kept (8)
20 Working at terse copy of court record (7)
21 Agree to steer many to old city (8)
24 Consider it's intentional (10)
26 Port Authority starting new design (4)
28 Hill dweller joins girl coming back with horn (7)
29 Understand it - a pound for this watch (7)
30 Subjugates directions to wash on board (8)
31 Was afraid of becoming deafer? (6)

DOWN
1 Water creatures fear riot breaking out (8)
2 Term-day in Scotland when boy goes to mother's (9)
3 Flower girl (4)
5 Tory laid out with skill (8)
6 Further hundred - it comes up on withdrawal (10)
7 Pathetic or gigantic dog in here? (5)
8 Dog does finish! (6)
9 Annoyed with ordeal (5)
14 Unusual flour bin gets Russian approval for roses (10)
17 Underground movement? (9)
18 Bearing support of a gun (8)
19 Many a boy follows metal warship (8)
22 These days neat arrangements attached to another organ (6)
23 Scrutinise room (5)
25 It's for sale - American plant (5)
27 Gaze at part of lido gleaming in the sun (4)

Solution to Puzzle No.6,934



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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

WORLD STOCK MARKETS

CANADA

TORONTO

4pm prices May 12

Quotations in cents unless marked $.

Total Sales 4,240,460 shares.

MONTREAL

4pm prices May 15

INDICES

NEW YORK DOW JONES

	May 12	May 11	May 10	1989 High	1989 Low	Since compilation High	Since compilation Low
♦Industrials	2463.89	2439.78	2382.88	2374.45	2463.89 (15/5)	2144.64 (3/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	89.35	88.99	88.47	88.40	89.62 (8/2)	87.35 (23/3)	-	-
Transport	1139.07	1133.73	1117.08	1112.06	1144.08 (27/4)	959.95 (3/1)	1144.08 (27/4/89)	12.32 (8/7/32)
Utilities	196.36	196.01	191.68	191.74	196.01 (12/5)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High (u) (2447.95) Low (u) (2408.54)

STANDARD AND POOR'S	May 15	May 12	May 11	May 10	1989 High	1989 Low	Since compilation High	Since compilation Low
Composite ‡	316.16	313.84	306.95	305.81	316.16 (15/5)	275.31 (3/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial	363.67	360.88	353.48	352.15	363.67 (15/5)	318.66 (3/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	29.26	28.98	28.18	28.10	29.26 (15/5)	24.30 (3/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	176.25	175.13	171.71	171.13	176.25 (15/5)	154.98 (3/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	350.04	348.30	345.62	344.80	350.04 (15/5)	305.24 (3/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	436.21	434.83	430.63	429.64	436.21 (15/5)	378.56 (3/1)	455.28 (26/8/87)	54.87 (31/10/72)

	May 12	May 5	Apr 28	year ago (approx.)
Dow Industrial Div. Yield	3.43	3.51	3.45	3.60
	May 10	May 3	Apr 26	year ago (approx.)
S & P Industrial div. yield	3.12	3.08	3.08	2.94
S & P Indl. P/E ratio	13.54	13.64	13.60	15.35

TRADING ACTIVITY † Volume Millions

	May 15	May 12	May 11
New York	180.894	221.490	156.011
Amex	10.916	13.903	9.255
OTC	(u)	166.354	144.989

NEW YORK	May 15	May 12	May 11
Issues Traded	(u)	1,975	1,934
Rises	(u)	1,214	775
Falls	(u)	353	610
Unchanged	(u)	408	549
New Highs	(u)	172	58
New Lows	(u)	16	12

CANADA

TORONTO	May 15	May 12	May 11	May 10	1989 High	1989 Low
Metals & Minerals	3486.6	3430.1	3348.6	3332.1	3564.9 (6/2)	3207.5 (3/1)
Composite	3661.2	3638.8	3592.2	3575.1	3696.1 (8/2)	3350.5 (6/1)
MONTREAL Portfolio	1881.25	1862.22	1834.17	1823.53	1881.25 (15/5)	1677.48 (3/1)

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Hewlett Pkd	3,431,100	53⅜	- 3⅜
Gen Electric	2,777,000	52¼	+ 1¼
IBM	2,015,300	112¼	+ 2
Am T & T	2,006,700	34½	+ ½
Nat Medical Ent xd	1,927,200	31	+ ⅛
Repsol SA	1,834,200	17½	.....
Niag Mohwak xd	1,793,600	10⅞	+ ¼
Eastman Kodak	1,621,700	42¾	.....
Exxon	1,387,100	43	- ⅛
Am Express	1,317,700	33⅝	- ⅛

Base values of all Indices are 100 except NYSE All Common – 50, Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	May 15	May 12	May 11	May 10	1989 High	1989 Low
AUSTRALIA All Ordinaries (1/1/80)	1565.8	1537.1	1515.6	1502.9	1565.8 (15/5)	1412.9 (7/4)
All Mining (1/1/80)	699.6	684.7	676.0	673.8	727.0 (26/1)	652.6 (7/4)
AUSTRIA Credit Aktien (30/12/84)	(c)	320.48	319.82	320.23	320.48 (12/5)	219.5 (2/1)
BELGIUM Brussels SE (1/1/80)	(c)	6005.80	5997.36	5980.58	6005.80 (12/5)	5519.30 (4/1)
DENMARK Copenhagen SE (3/1/83)	(c)	309.55	308.88	308.97	309.55 (12/5)	275.49 (27/2)
FINLAND Unitas General (1975)	797.4	795.8	792.7	795.5	815.8 (18/4)	723.3 (4/1)
FRANCE CAC General (31/12/82)	(c)	460.9	461.4	463.0	470.4 (24/4)	417.9 (4/1)
Ind. Tendance (30/12/88)	(c)	109.6	108.6	108.9	111.3 (24/4)	97.5 (27/2)
GERMANY FAZ Aktien (31/12/58)	(c)	567.60	575.88	575.89	585.28 (13/4)	535.78 (27/2)
Commerzbank (1/12/53)	(c)	1684.7	1709.0	1711.3	1741.9 (13/4)	1595.7 (27/2)
DAX (30/12/87)	(c)	1347.84	1358.79	1365.78	1394.62 (17/4)	1271.70 (23/2)
HONG KONG Hang Seng Bank (31/7/64)	3309.64	3278.43	3285.10	3280.98	3309.64 (15/5)	2706.69 (3/1)
ITALY Banca Com. Ital. (1972)	602.50	603.40	606.63	608.32	620.30 (24/4)	577.49 (28/2)
JAPAN Nikkei (16/5/49)	33716.29	33866.33	34081.49	33992.3	34135.24 (8/5)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2505.69	2518.64	2537.99	2535.08	2544.60 (8/5)	2366.91 (6/1)
NETHERLANDS CBS Ttl. Rtn. Gen. (End 1983)	(c)	239.2	237.8	237.5	240.1 (5/5)	208.3 (3/1)
CBS All Shr (End 1983)	(c)	186.8	187.8	187.7	190.6 (27/4)	166.7 (1/3)
NORWAY Oslo SE (2/1/83)	(c)	655.75	629.56	638.37	665.61 (19/4)	467.17 (2/1)
SINGAPORE Straits Times Ind. (30/12/66)	1295.40	1285.07	1287.32	1280.67	1295.40 (15/5)	1030.69 (4/1)
SOUTH AFRICA JSE Gold (28/9/78)	1442.0♦	1490.0	1479.0	1463.0	1639.0 (23/3)	1291.0 (15/2)
JSE Industrial (28/9/78)	2501.0♦	2522.0	2522.0	2514.0	2581.0 (28/4)	1961.0 (3/1)
SPAIN Madrid SE (30/12/85)	(c)	303.00	303.25	303.57	303.76 (9/5)	268.61 (1/3)
SWEDEN Jacobson & P. (31/12/56)	(c)	3901.4	3887.2	3877.3	3912.2 (6/4)	3333.9 (3/1)
SWITZERLAND Swiss Bank Ind. (31/12/58)	(c)	675.9	675.5	676.4	686.0 (28/4)	613.1 (3/1)
WORLD M.S. Capital Intl. (1/1/70)	(u)	514.4	512.1	512.3	519.0 (17/2)	491.2 (28/3)

♦ Subject to official recalculation.

Base values of all Indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Monday 15 May 1989

	Stocks Traded	Closing Prices	Change on day
Mitsubishi Kasei	18.9m	1,200	+40
Sato Kogyo	15.1m	2,716	-30
Sumitomo Metal	14.4m	838	-17
Toshiba	11.3m	1,300	+16
Hitachi Zosen	10.3m	850	-12
Daiichi Chuo Kisen	9.9m	1,100	+70
Kawasaki Steel	8.9m	1,050	-16
Mitsubishi Kakoki	7.6m	1,220	+30
Nippon Steel	7.0m	925	-8
Fuji Heavy	5.5m	1,000	-20

3pm prices May 15

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 45

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
81¼	56½	Squibb	2	2.4	18	x2878	u83½	80¾	83	+2⅞
18½	11⅝	StBPnt			42	96	16⅝	15⅛	16⅞	+⅞
9⅝	7⅜	StFdBk	.40	4.3	5	77	9½	9⅜	9⅜	-⅛
15⅞	8⅝	StdPac	1.80e	12.	6	555	15⅛	14⅞	15⅛	+⅛
31⅞	26⅛	StdPrd	.92	3.1	9	1	29¼	29¼	29¼	-⅛
25⅛	18⅝	Standex	.64	2.6	13	38	24⅞	24⅜	24⅜	
31⅜	17⅞	Stanhme	.68	2.3	15	132	30	29⅜	29½	-⅜
34¼	24	StanWk	.96	2.9	13	70	33½	33⅛	33⅛	
11⅞	9¾	StaMSe	1.08	11.		6	10⅛	10	10	
12¼	6½	StrlBcp	.20	2.0	22	30	10⅛	10	10	-⅛
16¾	12⅝	StrlCh	p.50e	4.0	4	27	12¾	12⅝	12⅝	
7⅞	5¾	Stifel				4	6⅝	6⅝	6⅝	-⅛
88⅞	59¼	StoneW	2.40	2.8	16	22	84½	84	84½	+¾
38½	26	StoneC	s .72	2.5	6	1521	28½	28¼	28⅜	+⅛
6⅛	5	StonRs				46	7⅞	7⅞	7⅞	
13⅜	10⅝	StorEq	1.40	11.	12	6	12⅞	12⅞	12⅞	-⅛
2⅞	1⅜	StorTch			8	821	1½	1⅜	1⅜	-⅛
16	11	StratMt	1.66e	15.	7	6	11⅜	11⅜	11⅜	+⅛
44⅛	23½	StrideR	.60	1.4	17	67	44½	44	44⅛	-⅜
8	5¾	SuavSh			46	20	7⅝	7⅛	7⅝	+¼
11⅝	6⅞	SunDis	1.10e	10.	11	30	10⅞	10⅝	10¾	
22¼	17	SunEl	.05e	.2		102	22	21¾	21¾	-⅛
16¾	11¼	SunEng	1.06e	8.7		9	10⅛	12	12⅛	+⅛
40⅞	26	SunCo	n1.80	4.5	759	210	39⅞	39½	39⅞	
67¾	46¾	Sundstr	1.80	2.7		352	67⅝	67¼	67½	+¼
6⅛	3	SunMn				144	3¼	3⅛	3⅛	
9¼	6⅞	SunM	pf1.19	14.		26	8⅝	8½	8½	-⅛
24½	19¾	SunTrst	.76	3.3	19	194	22¾	22⅝	22¾	+⅜
27⅝	19¼	SupValu	.50a	1.9	15	754	26⅞	26⅛	26⅜	-⅜
27½	14¾	SybTc			25	206	20¾	20	20⅝	+⅞
[illegible]										

– X–Y–Z –

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
69	50¼	Xerox	3	4.4	19	1196	67¾	65½	67⅝	+¾
49¾	44½	Xerox	pf4.16	9.2		12	45¼	45	45	+⅛
44¼	29⅞	XTRA	.72	2.0	16	60	36¼	36¼	36¼	-⅜
32	23	XTRA	pf1.94	7.0		1	27¾	27¾	27¾	-¼
6¾	2	Zapata				31	5	2⅞	3	+⅛
29¼	16⅝	Zayre	.40a	1.4	197	4511	u29⅝	29⅛	29½	+⅛
30	16½	ZenithE			988	1171	19⅞	19⅝	19⅞	+¼
10⅝	6⅞	Zeninc	1.20	14.		2	9¼	9¼	9¼	-½
2¼	1	vjZenLb				42	1⅛	1⅛	1⅛	
21⅝	15	ZenNtl	.60b	4.3	9	22	16⅛	16½	16½	+⅛
19⅞	15¼	Zero	.44	2.3	16	x21	19	19	19	
29½	19	Zurnin	.60	2.4	16	87	28⅝	28⅜	28½	+¼
11¼	10	Zweig	1.07n	10.		89	10⅞	10⅝	10⅝	-⅛
10⅛	8¾	ZweigT	n.24e	2.7		286	9	8⅞	9	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices May 15

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, 3pm prices May 15

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						

AMERICA

Index arbitrage fuels Dow surge to further peak

Wall Street

IN SPITE of a measure of caution in the bond market, equities continued to ride the new wave of optimism created by Friday's news of a smaller than expected increase in producer prices in April, *writes Janet Bush in New York.*

The Dow Jones Industrial Average closed 24.19 points higber at 2,463.89, anotber post-crash high. Dealers reported that the early burst of buying was encouraged by stock index arbitrage as institutions sold Standard and Poor's 500 futures contracts, which were trading at sharp premiums to the cash index, and bought blue chips in the cash market. Hnwever, the market managed to gain steadily thrnughnut.

Secondary stock indices were also higher but nnt hy the same margin as tbe hlue chip Dow index. On tbe NASDAQ over-the-counter market, the NASDAQ Composite Index added 1.39 points to 436.22.

Volume on tbe New York Stock Exchange was active with 180m shares changing hands by mid-session.

The enthusiasm in the market since Friday is based on hopes tbat tbe US Federal Reserve may start easing monetary policy.

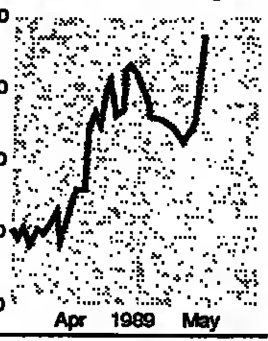
The rise of only 0.4 per cent in the Producer Prices Index reported on Friday encouraged the view that a soft landing is in store for the economy. The economy is slowing hut not at a rate which has provoked fear of recession. Friday's PPI encouraged a belief that inflation too is in check. The Federal Open Market Committee, which sets monetary policy, meets today .

There is still considerable doubt either that growth is slowing substantially enough or that inflation is enough under control for the Fed to ease at this stage.

Yesterday's economic figures confirmed that the economy is on a slowing trend but that there is still significant steam left. Industrial production rose by 0.4 per cent in April from being unchanged in March and down 0.3 per cent in February. The 0.4 per cent rise last month was slightly more than had been expected but February's figure had originally been unchanged.

Capacity utilisation followed the same pattern of more weakness in the first quarter than had been reported and a rehound in April. The index rose 0.2 per cent in April to 83.9 per cent but tbe rate in both February and March was revised downwards.

US



The key to whether the current surge in equity prices can he sustained will likely he Thursday's April consumer prices release whicb is forecast to have risen by a fairly substantial 0.5 per cent to 0.6 per cent. Also released this week are figures for the March trade balance tomorrow.

Blue chips led the way up yesterday. International Business Machines rose $2 to $112¾, Procter & Gamble was np $⅝ to $99 and General Motors added $⅞ to $40¾.

Among featured individual stocks was Hewlett-Packard which plunged $3⅞ to $53¼ after the company said that its second quarter earnings would be below analysts' forecasts.

Cray Research jumped $2¼ to $55½ amid speculation that its board of directors, which met yesterday, was considering a restructuring.

Ogilvy Group rose $¼ to $53¼ in over-the-counter trading amid reports that an agreement was near in which WPP nf Britain would buy the company for $54 to $55 a share.

Edgcomb added $1 to $7¾ on tbe OTC market after it accepted an $8 a share takeover offer from a group including its president and Blackstone Capital Partners.

Goodyear Tire & Rnbber added $⅞ to $54¼ on rumours that Pirelli nf Italy and Mr Harold Simmons are interested in buying the company.

Canada

STOCKS cnntinued to poat gains, but analysts said the market in Canada was more uncertain than in the U.S. The market is waiting for the province of Ontario's hudget on Wednesday.

The Toronto composite index rose 22.5 to 3661.20. But losers outran gainers 344 to 335 on volume of 24.6m shares,down from Friday's 32.5m shares. Trading value was C$321.8m, compared witb C$454.8m.

Montreal's market portfolio index closed higher, climhing 19.03 to 1881.25. Advances led declines 167 to 130 and volume increased to 4.2m shares, from 5.87m shares on Friday.

International Tbomson was the most active stock of the day and closed up C$⅝ to C$17⅝. The company told Dow Jones there was no corporate news to explain today's activity. In March, International Thomson said it was merging with Thomson Newapapers to form Thomson Corp.

SOUTH AFRICA

SHARP falls in gold sbares, prompted by a drop in the bullion price on the dollar's continued strength, led an overall decline in nervous selling in Johannesburg.

Heavyweight gold share Vaal Reefs lost R19 to R302, Deelkraal was down 50 cents at R11.25 and Freegold R1.50 to R29.75.

In mining financial issues, Anglo American was down R1.75 at R79.75 and Amgold was off R4 at R276.

Rejuvenated US extends lead over Japan

By Jacqueline Moore

BATCHES of economic numbers brought joy to the US and jitters to West Germany last week.

While Wall Street surged 2 per cent compared with the previous week in local currency tarms, Frankfurt fell by abont tbe same amount, according to the FT-Actuaries World Indices.

On Wednesday New York broke the spell of eight consecutive losing sessions, with the Dow Jones Industrial Average edging 3 points higher. A firm bond market and a smaller-tban-expected rise in April retail sales figures provided furtber encouragement on Thursday, before Friday's producer prices index generated a 56-point surge to a post-crasb peak on the Dow.

The US has extended its lead in performance terms over one of its principal rivals, Japan, although it still lags the UK. It has risen 12.9 per cent since the start of the year, compared with improvements of 6.5 per cent for Japan and 18.4 per cent for the UK.

The best showing of the week, however, was made by Australia, which has been lagging much of the rest of the world so far this year. It has risen only 3.6 cent in 1989 so far, compared with surges of more than 20 per cent in its fellow Asian Pacific markets, Hong Kong and Singapore.

Strong industrial issues helped Australia pick np 2.3 per cent last week and the All Ordinaries index reached its highest level in three months on Friday.

Europe had a more tentative week, with the Continent'a index easing 0.3 per cent – its first loss for several weeks. The main depressant was West Germany, which dropped 2 per cent, after the high dollar and worse-than-expected wholesale price data on Thursday sent the market lower.

The dollar advanced beyond the DM1.90 level against the D-Mark at the beginning of the week, which resurrected fears of higher interest rates. Investors noted that the Bundesbank is scheduled to meet on Thursday this week, and started to worry that that would be the occasion for another rates rise.

Switzerland was another market dnminated by the pessimists. It was the third worst performer, after Mexico, preoccupied with worries about Wall Street, interest rates and inflation.

Not all the European bourses were feeling fretful, however, with Spain and Denmark two of the world's leading markets last week. Spain's prosperous period continued in an exciting week for the bolsa. It began by hitting two further year highs and was enlivened later by the first quotation of Repsol, the newly-privatised oil group.

Japan improved slightly on the previous week's good performance. It began the week in sparkling fashion, with the Nikkei sbooting past the 34,000 barrier on Monday. After that, however, profit-taking and nervousness about interest rates trimmed gains.

The world as a whole rose 0.71 per cent, taking its improvement this year to 9.8 per cent.

The best performer this year is still Norway, with a rise of 40.05 per cent.

MARKETS IN PERSPECTIVE

	% change in local currency † 1 Week	4 Weeks	1 Year	Start of 1989	% change in sterling † Start of 1989
Austria	+0.72	+1.87	+54.68	+37.70	+40.37
Belgium	+0.94	+1.47	+19.58	+5.76	+7.25
Denmark	+1.36	+4.92	+71.89	+25.40	+25.67
Finland	−0.50	−3.05	[illegible]	[illegible]	+25.00
France	+0.24	+0.05	+51.70	+9.76	+11.58
West Germany	−2.01	−2.98	+30.19	+2.65	+3.45
Ireland	−0.88	+0.32	+36.00	+18.92	+20.32
Italy	−1.12	+0.32	+21.82	−0.74	+1.09
Netherlands	−0.93	−0.35	+28.12	+12.08	+13.09
Norway	−1.16	−2.50	+78.45	+40.05	+44.99
Spain	+1.37	+2.08	+10.57	+8.50	+12.15
Sweden	+0.36	+2.78	+43.74	+14.57	+18.18
Switzerland	−1.41	−2.54	+16.43	+5.12	+0.25
UK	+0.09	+3.67	+19.77	+16.35	+18.35
EUROPE	−0.30	+1.10	+25.34	+11.92	+12.48
Australia	+2.26	+9.88	+12.81	+3.59	+4.94
Hong Kong	+0.70	+5.11	+37.67	+24.13	+35.85
Japan	−0.23	+1.93	+17.92	+8.54	+6.82
Malaysia	−0.34	+2.55	+45.42	+25.92	+38.13
New Zealand	−0.39	+4.79	+3.12	+7.88	+15.72
Singapore	−0.44	+1.04	+36.75	+26.28	+37.08
Canada	+0.65	+1.24	+10.49	+8.15	+18.53
USA	+2.00	+4.05	+22.28	+12.90	+23.05
Mexico	−1.78	+4.40	+42.97	+17.83	+20.17
South Africa	−1.14	−0.93	+56.24	+27.17	+28.24
WORLD INDEX	+0.71	+2.47	+20.96	+9.80	+13.35

† Based on 12th May 1989

EUROPE

Milan focuses on Montedison

MOST European bourses were closed for the Whitsun holiday yesterday, and those that did trade – Milan and Helsinki – had quiet sessions, *writes Our Markets Staff.*

MILAN focused on Montedison after the Government approved tax plans for the new chemicals joint venture Enimont, but share prices closed lower overall. The Comit index eased 0.9 to 602.5 in volume estimated at L130bn. Shares continued to fall after hours.

Montedison jumped by 1.2 per cent at the early fixing – up L26 at L2,148 – but closed at L2,140. It received approval to defer capital gains tax on companies forming Enimont.

The May account closes today, after yesterday's April account settlement, delayed hy the insolvency of a small Milanese broker.

HELSINKI closed higher, with the Unitas all-share index rising 1.6 to 797.4.

ASIA PACIFIC

Nikkei falls in year's lowest volume

Tokyo

THE COMBINATION of lingering political uncertainty and a sinking yen kept investors wary and share prices dropped on the lowest volume of the year, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average fell sharply in early trading, losing over 250 points by the morning close. Prices regained some losses in later trading, hut the Nikkei average finished down 150.04 at 33,716.29. The day's high was 33,864.18 while the low was 33,612.24.

Turnover sank to the year's low of 421.6m shares against 720.6m on Friday. The Topix index of all listed shares fell 12.95 to 2,505.69 and later in London, the ISE/Nikkei 50 index closed 0.7 down at 1,948.03.

The refusal by Mr Masayoshi Ito, the senior parliamentarian most favoured to succeed Prime Minister Takeshita, to accept the premiership cast a clond over Japan's political future. Investors who had shown a strong bullish reaction when Prime Minister Takeshita announced his intention to resign, on expectations that political worries had cleared until the summer elections for the Lower House, were taken aback. Now Mr Ito has made his non-acceptance clear, and with few other strong candidates, investors feared that political uncertainty could continue for some time.

The yen, which has been falling against the dollar for some time, dropped to a low for the day of Y136.95, its lowest for the past 18 months. The yen's weakness has given rise to fears that the possible increase in Japan's official discount rate could be higher than previously expected.

Most investors preferred caution, and this led to the extremely low volume. Consequently, the Nikkei's fall stemmed largely from a lack of buying rather than from much selling, said Mr Mitsuru Maekawa at Jardine Fleming.

There was some buying from short-term funds looking for quick profits. These tended to select special situation issues with relatively small capitalisation. The high prices of most issues also turned investors' interest to low-priced laggards. Small shipping companies were widely selected because their low prices and their susceptibility to wild price fluctuations made them attractive in a featureless market. Inui Steamship rose Y100 to Y1,200. Daiichi Chuo Kisen gained Y70 to Y1,100 while Kyoei Tanker increased Y56 to Y920.

Mitsubishi Kasei, the chemical group, topped the actives list with 18.9m shares.

A lack of interest in Osaka saw the OSE average drop 166.44 to 32,795.56. Volume fell to 34.57m shares against 58.14m on Friday.

Roundup

THE WEEK began strongly for Asia Pacific markets, with the 56-point rise in the Dow Jones Industrial Average on Friday fueling gains across the board.

AUSTRALIA put in its best day for more than a year, buoyed by Wall Street's strength, climbing by 28.7 to 1,565.8 on the All Ordinaries index. It has not risen so much in one day since April 11 last year, when it rose 29.2 points.

Bond Corp continued its recovery, rising 17 cents to A$1.28. Barlile Corp picked up 5 cents to A$1.50 after selling its 20 per cent stake in Atlas Steels, up 1 cent at A$1.24.

HONG KONG rose to another post-crash high in spite of giving up some of its early gains on concern over student unrest during the visit to Beijing by Soviet leader Mikhail Gorbachev. The Hang Seng index rose 31.21 to 3,309.64 and turnover rose to HK$1.52bn from HK$1.43bn.

SINGAPORE was cheered by Wall Street's rally on Friday and also reached a post-crash high, with the Straits Times industrial index up 10.33 at 1,295.40. Property stocks were again in demand with Centrepoint, adding 5 cents to S$2.43 in the day's busiest trading.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of stocks per grouping	MONDAY MAY 15 1989 US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	FRIDAY MAY 12 1989 US Dollar Index	Pound Sterling Index	Local Currency Index	DOLLAR INDEX 1989 High	1989 Low	Year ago (approx)
Australia (89)	139.55	+0.3	126.19	119.27	+2.3	4.67	139.10	124.27	116.62	157.12	128.28	122.21
Austria (19)	121.03	−2.0	109.45	122.04	+0.0	2.11	123.54	110.37	122.04	124.16	92.84	90.03
Belgium (63)	130.80	−1.8	118.28	131.61	+0.0	4.13	132.52	118.75	131.61	137.10	128.52	124.91
Canada (126)	137.08	+0.4	123.96	118.17	+0.7	3.33	136.51	121.96	117.34	137.27	124.67	118.91
Denmark (38)	178.27	−1.3	161.21	183.30	+0.0	1.83	180.60	161.35	183.30	181.03	165.35	121.70
Finland (26)	150.33	+0.2	135.94	134.05	+0.2	1.56	150.06	134.08	133.83	159.18	125.81	128.94
France (130)	116.55	−1.1	105.40	119.98	+0.0	3.13	117.86	105.29	119.98	122.79	112.57	87.83
West Germany (100)	82.48	−1.2	74.58	83.27	+0.0	2.41	83.47	74.57	83.27	90.40	81.77	75.46
Hong Kong (49)	140.33	+0.7	126.90	140.08	+0.7	3.85	139.34	124.48	139.11	140.33	111.80	100.90
Ireland (17)	143.72	−1.2	129.96	147.07	+0.2	3.45	145.46	129.95	146.77	151.36	125.00	123.19
Italy (98)	78.14	−1.0	70.66	82.35	−0.1	2.59	78.94	70.53	82.42	86.88	78.14	72.00
Japan (455)	184.87	−1.5	167.18	160.33	−0.5	0.47	187.66	167.66	161.21	200.11	180.30	174.45
Malaysia (36)	183.44	+0.9	165.88	190.40	+1.0	2.50	181.84	162.45	188.52	183.44	143.35	131.20
Mexico (13)	183.26	+2.7	165.74	490.86	+2.9	1.03	178.40	159.38	476.91	183.26	153.32	134.86
Netherland (42)	115.34	−1.1	104.30	115.18	+0.0	4.48	116.62	104.18	115.15	122.22	110.63	104.70
New Zealand (24)	71.12	−0.9	64.32	62.00	+0.3	5.90	71.78	64.11	61.47	76.02	66.84	77.41
Norway (26)	182.22	−1.4	164.78	173.38	+0.0	1.54	184.79	165.09	173.38	190.39	139.82	118.38
Singapore (26)	158.84	+0.8	143.48	143.38	+1.3	1.89	157.52	140.55	141.52	158.64	124.67	112.17
South Africa (60)	137.43	+0.0	124.28	122.68	−1.8	4.22	137.45	122.80	124.93	144.66	115.35	125.03
Spain (43)	150.82	−1.2	136.39	138.20	+0.0	3.62	152.65	136.38	138.20	156.17	143.14	149.04
Sweden (35)	155.41	−0.9	140.53	150.75	+0.0	2.28	156.78	140.07	150.75	162.00	138.45	121.74
Switzerland (57)	70.93	−1.2	64.14	76.45	+0.0	2.43	71.80	64.15	76.45	79.78	70.93	76.75
United Kingdom (315)	146.08	−0.6	132.10	132.10	+0.7	4.30	146.91	131.25	131.25	153.33	134.53	139.28
USA (559)	128.73	+0.7	116.41	128.73	+0.7	3.52	127.78	114.15	127.78	128.73	112.13	105.24
Europe (1009)	117.18	−0.9	105.98	112.75	+0.3	3.58	118.23	105.63	112.43	121.70	114.02	107.73
Nordic (125)	152.46	−1.0	137.87	144.68	+0.0	1.97	153.94	137.53	144.65	155.81	137.95	113.15
Pacific Basin (679)	181.03	−1.4	163.71	157.44	−0.4	0.69	183.58	163.99	158.12	194.72	176.37	169.52
Euro−Pacific (1688)	155.51	−1.2	140.62	139.63	−0.2	1.58	157.44	140.66	139.92	164.22	152.63	144.80
North America (685)	129.14	+0.7	116.78	128.08	+0.7	3.50	128.21	114.54	127.13	129.14	112.79	105.97
Europe Ex. UK (694)	99.31	−1.2	89.80	100.77	+0.0	2.99	100.47	89.76	100.77	106.29	96.84	86.24
Pacific Ex. Japan (224)	134.84	+0.4	121.93	120.99	+1.5	4.19	134.24	119.93	119.18	137.65	123.46	110.06
World Ex. US (1887)	154.70	−1.2	139.90	138.89	−0.2	1.66	156.53	139.84	139.15	162.77	152.04	143.71
World Ex. UK (2131)	144.22	−0.5	130.42	135.75	+0.1	2.05	145.03	129.57	135.66	148.04	136.08	127.86
World Ex. So. Af. (2386)	144.42	−0.8	130.59	135.48	+0.1	2.24	145.23	129.75	135.32	146.85	136.82	128.89
World Ex. Japan (1991)	125.06	+0.1	113.11	122.56	+0.6	3.57	124.90	111.59	121.83	125.08	114.51	106.96
The World Index (2446)	144.37	−0.8	130.55	135.39	+0.1	2.25	145.16	129.70	135.25	146.51	138.63	128.67

Markets closed May 15: Austria, Belgium, Denmark, France, Germany, Netherlands, Norway, Spain, Sweden and Switzerland.

SECTION III

FINANCIAL TIMES SURVEY

Austria's coalition Government has weathered the damaging Waldheim affair, presided over a period of economic expansion and overhauled the unwieldy state industrial sector. Attention is now focused on Vienna's bid to join the EC, writes Robert Mauthner

Business as usual

IT IS very much "business as usual" in Austria after the political and economic hiccups of last year, when the country used the 50th anniversary of its 1938 Anschluss with Germany to indulge in some painful analysis of its recent past.

The Austrian economy, widely considered at the beginning of 1988 to be on the verge of stagnation, has undergone yet another "miracle" by growing by more than 4 per cent without a dangerous increase in inflation. And President Kurt Waldheim, again against all expectations, is still Head of State, after weathering a storm of international allegations about his war-time activities in Greece as an officer in the Wehrmacht.

Thomas Bernhard, the well-known Austrian playwright, may continue to fulminate in his play "Heldenplatz," currently on at the Burgtheater in Vienna, against his country's failings and weaknesses — not least the persistence of anti-semitism — but the general tendency is to let sleeping dogs lie. The hope expressed by Dr Franz Vranitzky, the Austrian Chancellor, is that the population's few months on the psychiatrist's bench last year have at least benefitted the younger generation.

Meanwhile, the flavour of the year in 1989 is something quite different: Austria's imminent application for full membership of the European Community, which is expected to be made in July or August after parliamentary approval. There is a tendency for some enthusiasts, gripped by the current wave of Euromania, to look upon Austrian entry into the Community — if it materialises — as the answer to all the country's fundamental problems.

It is almost as if by joining the main group of Western European nations, Austria would recapture some of the status and self-respect which it lost when the dissolution of the Hapsburg Empire after the First World War turned the country into a German-speaking rump.

If the EC is determined to make an issue of its ultimate aspirations, Austria would find it difficult to fulfil the conditions of membership

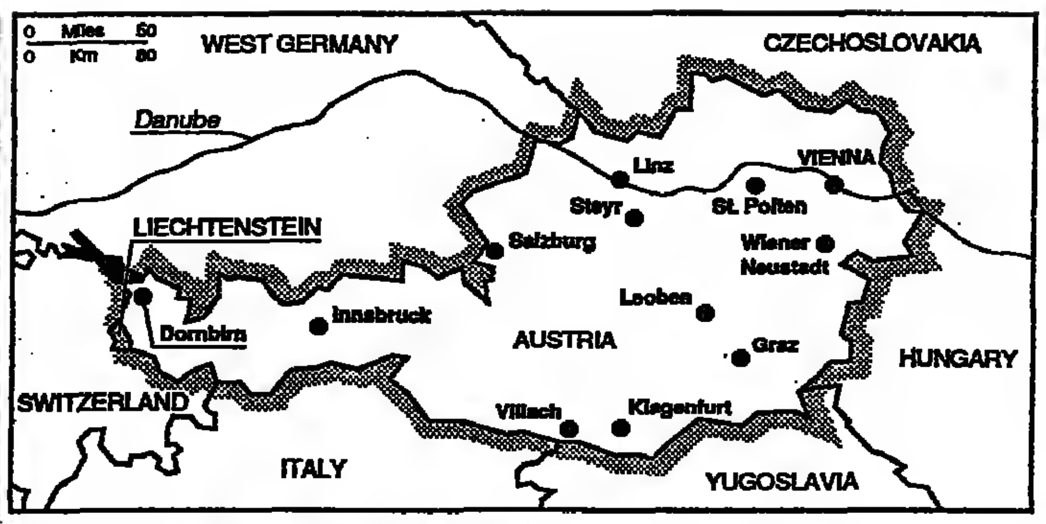
Those political leaders in close contact with the European Commission in Brussels and EC Government colleagues, realise that the problem of Austria's traditional neutrality, an essential ingredient of the settlement leading to its independence in 1955, could be a big obstacle to membership. Though the most frequent argument to be heard in Vienna is that, if a neutral country like Ireland can join the Community, so can Austria, the Chancellor himself is well aware that things are not as simple as that in practice.

If tha EC is really determined to make an issue of its ultimate political and military aspirations, Austria would find it difficult, if not impossible, to fulfil the conditions of membership, even though they are not spelt out in the Community's basic treaties.

What is certain is that flexibility in the matter, if it is shown at all, will have to come mainly from the Community's side, for Dr Vranitzky has made it clear that there is no question of any modification of Austria's neutral status. Such a change is, in any case, ruled out by the interest the Soviet Union — e signatory of the 1955 Austrian State Treaty — has shown in the maintenance of the country's neutrality.

Whatever eventually happens, Austria knows it is in for a long haul. The European Commission will take its time in formulating its recommendations on Austria's application to the member states. It can hardly be expected that any decision on even the opening of negotiations will be taken before the completion of the EC's internal market at the end of 1992. Even if such e decision is positive, it would taka several more years to negotiate a membership agreement and still longer before Austria could hope to enter the Community.

In the meantime, the present Austrian Government and business community have gone out of their way to prepare the country both mentally and practically for such a momentous step. That has meant, in the first place, creating a genuinely competitive climate and changing ingrained ideas dating back to the Hapsburg Empire, but surviving until the present day, about political patronage and the role of the state as the ultimate provider and protector.



The imposing cathedral at Dom Platz, Salzburg

AUSTRIA

One of the great contradictions of Austria's history over the past 20 years or so is that its impressive economic record of higher growth, lower inflation and less unemployment than most other Western countries, has been achieved with such outdated and unwieldy state industrial structures and in such an archaic atmosphere of political corruption and scandals.

No doubt the absence of an effective political opposition in the inter-war years and the immediate post-independence period, when the country was ruled, as today, hy a grand coalition of the Socialist (SPOe) and conservative (OeVP) parties, encouraged undemocratic practices. Bnt the fact is that the "Proporz" system, under which the best jobs in state organisations are divided up on the basis of political affiliation, rather than ability, and a party card is a required instrument for finding a flat or skipping a hospital queue, has persisted until the present day. If the system is less widespread than it was, it will nevertheless take many years before it disappears altogether.

Another facet of what might be described as the "old politics" are the number of serious scandals involving government ministers, which have affected mainly the ruling Socialist Party.

The long-running Lucona affair has already led to the resignation of the Socialist Interior Minister, Mr Karl Blecha, and the Socialist president of the National Assemhly, Mr Leopold Gratz, following allegations of a massive insurance fraud surrounding the sinking in the Indian Ocean in 1977 of a freighter reported to be transporting uranium processing equipment. The Socialist Party may again be embarrassed this autumn, when the case of the illegal arms sales to Iran by Noricum, the weapons division of tha state-controlled steel group Voest-Alpine, finally comes to court.

These, and other scandals involving leading politicians, heve helped to discredit the traditional parties, particularly in the eyes of a younger generation already bored by the lack of political change that the special brand of Austrian consensus politics has produced. It goes a long way to explain the growing popularity of Mr Jörg Haider, the youthful leader of the small right-wing Freedom Party (FPOe), who has begun to make serious inroads in the two main parties' strongholds in the provincial assemblies. This is particularly true for Carinthia, where Mr Haider was last week chosen as provincial governor, thanks to the support of the local conservatives, anxious to teach a lesson to their Socialist coalition partners at national level.

Economic growth has been achieved with outdated state industrial structures and in an archaic atmosphere of corruption and scandals

Mr Haider's populist style undonhtedly attracts nostalgic nationalists, who evoke nasty memories of the 1930s and the war years. But his strength is that he also manages to convey convincingly a desire to reform the political system and its corrupt practices, which gives him a much wider appeal. Since his party holds the balance in parliament, the day may well come when the OeVP throws caution to the winds and agrees to form a new right-wing coalition with Mr Haider, though that seems unlikely in the immediate future.

It is on the economic front that the coalition has shown most dynamism, spurred on by the need to impress its pntative partners in the European Community. The restructuring of the nationalised industry holding group, OeIAG, including partial privatisetion, is nearly complete. Balance sheet losses, which reached a peak of Sch 12bn in 1986, were reduced to only Sch 3bn last year and the organisation is expected to make a profit by the end of 1989, only three years after the reorganisation plan was introduced.

The medium-term budget strategy, the objective of which is to reduce the federal deficit from about 5 per cent of gross domestic product to 2.5 per cent in 1992, is progressing according to schedule. In addition, an impressive income and corporation tax reform package, the most comprehensive since 1945, was implemented at the beginning of this year. It is intended to produce a simpler, fairer and more transparent tax system by lowering marginal tax rates, broadening the tax base and closing loopholes.

Whether or not Austria succeeds in its attempt to become a member of the European Community, its economy is now in a much better structural state than it was only a few years ago to face its competitors after the completion of the Single European Market in 1992. The prospect of Community membership has provided an unparalleled incentive — and pretext — for government action in areas which it might ordinarily have left alone for purely political reasons.

CONTENTS

KEY FACTS

Area: 83,855 sq km
Population: 7.57m
President: Dr Kurt Waldheim
Head of Government: Chancellor Franz Vranitzky (Socialist)
GDP per capita: $16,868
Rael GDP growth: 4.2%
Inflation: 2%
Currency: 100 Grosches = Sch 1
Average exchange rate: $ = Sch 12.35; £ = Sch 22.05
Current exchange rate (May 1989): $ = Sch 13.38; £ = Sch 22.34
Merchandise exports: $29.95bn
Merchandise imports: $35.65bn
Current account balance: -Sch 6.4bn
Foreign reserves (exc gold): $6,465bn (March '89)
Government debt/GDP ratio: 50% (1987)
Leading export markets: West Germany 36.19%; Italy 8.47%; Switzarland 7.47%; UK 4.90%
Leading import markets: West Germany 44.3%; Italy 8.86%; Switzerland 4.44%
Industrial output growth: 6.5%
Unemployment rate: 5.3%
All figures 1988 unless otherwise stated
Sources: IMF, OECD

ECONOMY

Confounding the sceptics

CONTRARY to all expectations and the gloomy forecasts of at least one prominent international forecasting institute, the Austrian economy performed excellently over the past year and the outlook for 1989 and 1990 continues to be satisfactory.

Indeed, with a rise of 4.2 in gross domestic product in 1988, after an eight year period during which the average annual growth rate barely exceeded 1.5 per cent, Austria out-performed all the main West European economies. What is more, it did so with no real signs of over-heating.

Inflation, measured by the consumer price index rose only slightly to 2 per cent last year, according to both the Austrian Institute of Economic Research (WIFO) and the OECD. While forecast to rise again in 1989 and 1990, it is expected to do so by one percentage point at the most to about 3 per cent, still a very acceptable rate compared with Austria's main competitors.

At the same time, total employment has risen for the first time since 1979 at a slightly higher rate than the labour force, a trend expected to bring down the unemployment rate from 5.3 per cent last year to 4.9 per cent in 1989 and 1990.

It is hardly surprising that such a relatively high growth rate and the vigorous domestic demand which accompanied it should have led to a deterioration of the current account, in spite of a highly satisfactory export performance and the improved international competitiveness of Austrian goods.

Though the current account deficit rose by some Sch 3.5bn to Sch 6.4bn last year and is expected to increase again in 1989 to Sch 9bn, this is not yet a matter for great concern. WIFO has calculated that, in 1990, the deficit will still be equivalent to no more than three-quarters of 1 per cent of GDP. With expectations of a somewhat lower overall growth rate of 3 per cent this year and 2.5 per cent in 1990, the current account should not present too much of a problem in the foreseeable future.

The buoyancy of the international economic situation undoubtedly made a substantial contribution to Austria's remarkably good performance in 1988. Austria was quick to benefit from the strong recovery in world trade since the autumn of 1987. Visible exports grew by 9 per cent in real terms last year and continued their dynamic progress early this year, rising by 30 per cent in January over their admittedly particularly low level 12 months earlier.

In 1988, exports to the European Community expanded by 12.6 per cent, to the Eastern European bloc by 13.3 per cent, to the member states of the Organisation of Petroleum Exporting Countries by 14.4 per cent, and to the US by 10.8 per cent.

It would be less than just, however, to ignore the important domestic factors behind the country's economic achievements last year. The much-discussed tax reform, which finally came into effect in January, appears to have played an important part in bringing forward investments and boosting business confidence, while the unusually mild weather early in the year stimulated building and the construction industry. Economists also believe that the surprising capacity of the Austrian financial markets to weather the storm of the October 1987 stock market crash was an essential element in sustaining an optimistic business climate.

Underlying all these factors is the relative success the two-year-old coalition has had in implementing the economic reform strategy which is at the heart of the government pact concluded by the Socialists and the Austrian People's Party. In addition to the traditional components of Austria's unique economic and social management system – the social partnership and the so-called "hard currency option" linking the Austrian schilling to the D-Mark – the strategy includes a medium-term fiscal policy to reduce the budget deficit and an ambitious industrial restructuring project.

Faced with projections that, if no radical steps were taken, the federal budget deficit would rise from 5 per cent to 9 per cent of GDP by 1992 and that the debt/GDP ratio – 50 per cent in 1987 – would eventually mount to a steady level of 90 per cent, the Government fixed an objective of reducing the deficit progressively to 2.5 per cent of GDP by 1992.

Thanks to some drastic public belt-tightening, including limits to the growth of the public sector wage bill and to the filling of new vacancies in the civil service, the federal deficit was lowered to about 4.2 per cent of GDP last year, compared with 4.7 per cent in 1987. The target of 4 per cent for the current year will therefore probably be reached. However, as the OECD has pointed out in its latest economic survey of Austria, the budget consolidation process has been greatly aided by the unexpected buoyancy of the economy and by the sales of government assets.

There are limits to both continued asset sales and more investment cut-backs. At the same time, the tax reform, though designed to neutral in the medium-term as far as revenue-raising is concerned, will actually lead to revenue losses in 1989 and the early 1990s, according to the report. Thus, a further reduction of the budget deficit to 4 per cent of GDP in the current year depends largely on "non-recurrent" sources of finance. If the budget strategy is to keep to its original timetable, additional measures of restraint will almost certainly be required.

The other feather in the Government's cap is that the restructuring of the state-owned holding company OeIAG is now near completion. The process has involved substantial sales of assets, the reduction of capacity in weak sectors such as steel, the shedding of more than 20,000 workers, some 20 per cent of the organisation's total labour force, and the introduction of modern management techniques. As a result the OeIAG is expected to go into the black this year, after making a loss of more than Sch 10bn as short a time ago as 1987.

Whether the Socialist-led coalition, which has insisted on maintaining a majority holding in most state-owned enterprises, is prepared to take the final leap of allowing private interests to take a controlling stake in these companies, remains a moot point. However, to outside observers it would seem a logical step to subject the slimmed-down state dinosaurs to the same financial disciplines and regulations as their private counterparts if they are to become equally efficient and competitive.

Having grasped several painful nettles already in its short life, the Government will now be obliged to deal with the remaining black spots in the economy: the financing of an increasingly burdensome social security deficit, requiring radical measures striking at the heart of the Socialist Party's philosophy; the trimming of Austria's myriad trade and professional regulations; and the reduction of the panoply of government subsidies.

The continuation of the country's enviable economic performance depends to a large extent on overcoming these remaining obstacles to budget consolidation, business and industrial efficiency, and the creation of a competitive climate.

Robert Mauthner

Projections for 1988-89 (Volumes, 1976 prices; percentage changes)

	1988 actual	1989 forecast	1990 forecast
Private consumption	3.5	3.5	2.5
Government consumption	0.5	0.5	0.5
Gross fixed investment	5.2	3.5	3.0
Construction	4.5	2.0	2.25
Machinery and equipment	6.0	5.0	3.5
Final domestic demand	3.4	3.0	2.25
Stockbuilding* ●	1.3	0.25	0
Total domestic demand	4.5	3.0	2.25
Exports of goods and services	7.5	5.5	5.0
Imports of goods and services	8.8	6.0	5.0
Foreign balance*	-0.7	-0.25	0
GDP	4.0	2.75	2.25
Memorandum items:			
Private consumption deflator	2.0	2.75	2.5
GDP deflator	1.6	2.5	2.25
Unemployment rate♥	3.7	3.75	3.75
Current balance:			
Schilling billion	-2.0	-1.25	0.5
$ billion	-0.2	0	0

** Changes as per cent of GDP in the previous period*
● Including statistical discrepancy
♥ As per cent of total labour force

Source: OECD Economic Surveys 1988-89

Current external balance (Sch bn)

	1986	1987	1988
Exports	332	343	375
Imports	399	396	429
Trade balance	-67	-53	-52
Net investment income	-10	-11	-10
Net non-factor services	78	63	61
Net transfers	1	-1	-1
Current balance	1	-3	-2
Memorandum items:			
Change in the trade balance	14	16	1
of which			
due to terms of trade changes	26	29	8
due to volume changes	-12	-13	-8
Balance on tourism*	45	45	43

** National definitions, OECD est for 1988*

Source: OECD Economic Surveys 1988-89

Robert Mauthner and Judy Dempsey interview Franz Vranitzky

An unruffled Chancellor

Dr Franz Vranitzky, the 51-year-old former banker, who has led Austria's socialist-conservative coalition Government since January 1987, is a man who refuses to be jostled into hasty decisions and judgments. The visitor is struck by the contrast between his youthful appearance and a calm and reflective manner more often to be found in much older and experienced statesmen.

Neither the contemplation of his country's troubled 20th century history, culminating in last year's Waldheim affair, nor a discussion of the scandals affecting prominent members of his own Socialist Party and the political antics of his conservative coalition partners, have the effect of ruffling any feathers.

At the same time last year, Austria was involved in an agonising reappraisal of its recent past on the 50th anniversary of its enforced Anschluss with Nazi Germany, and in the midst of a spate of allegations about President Kurt Waldheim's war-time activities as a Wehrmacht officer in Greece.

Dr Vranitzky emerged from all this national self-analysis with an enhanced personal reputation, having been largely responsible for obliging his often reluctant compatriots to take an honest look at their country's history in the 1930s and during the Second World War.

"We started the organisation of last year's commemorative activities with a good deal of concern about their outcome. But I think we finally succeeded in getting the younger generation to become more involved in what really happened in Austria in the 1930s and drawing the attention of observers to what we were doing," Dr Vranitzky said in an interview with the Financial Times. "Of course there are always some who do not want to stir up the past."

Though at the height of the storm surrounding President Waldheim last year, Dr Vranitzky threatened briefly to resign, he is now convinced that the whole debate has calmed down. "It does not seem to be a topic any longer, either in foreign countries or in Austria – at least not a topic in which people will invest much of their time."

There can be no doubt, on the other hand, which is the topic that is currently of most interest to the political and economic establishment and the Austrian media: Austria's forthcoming application for membership of the European Community.

Typically, the Chancellor cautions against any hasty judgments that the application is a foregone conclusion. Though he admits that the Government has agreed to submit such an application to Brussels, Dr Vranitzky stresses that it must first of all be endorsed by the two coalition parties and Parliament as a whole. If everything goes to plan, the application could be made in July or August.

The Chancellor no longer hedges his bets about what kind of arrangements with the Community Austria is seeking. "It will be an application for full membership," he says. Time enough to think of what kind of alternative arrangements could be negotiated if the request for full membership fails.

Dr Vranitzky makes no attempt to deny that Austria's neutrality is "a real problem" as far as full membership is concerned. But there can be no question of Austria changing its fundamental stand on this subject in order to gain admittance into the Community.

"We remain adamant that we will not change our neutrality, or our political attitude in the framework of neutrality. For a number of reasons, domestic and international, we are convinced that we must not change our position. It is not an easy thing for the EC to deal with. So it is going to be a very serious and rather complicated issue."

One of the international factors referred to by the Chancellor is the Soviet Union's special interest in the matter. It is no secret that Moscow put its signature to the Austrian State Treaty, which gave Austria back its independence in 1955, only on the understanding that Austria would declare itself neutral. "The Russians should not worry. It's our own political will and conviction that we will not give up neutrality," the Chancellor firmly proclaims.

Dr Vranitzky feels, however, that neutrality can be considered an obstacle to Austrian membership by some Community members only in an antagonistic East-West climate. "Why do we not leave open the possibility that in the 1990s, or perhaps later, the political situation in Europe will have developed to such an extent that neutrality will not be looked upon as a burden, but as a positive prerequisite for a relationship between the countries and peoples of Europe?"

Indeed, the Chancellor sees Austria as continuing to play a very special role in East-West relations whether it becomes a member of the EC or not.

"We have always looked at Eastern Europe, not as a bloc, but as a number of individual countries. Moreover, we are the only European country not adhering to communist ideology which, even during the peaks and troughs of the Cold War, has managed to maintain a balanced relationship with all European countries."

"I think that, in doing so, we have acted not only to our own economic benefit, but have contributed to some kind of stability in central Europe. Whatever happens, we will continue our policy of as close as possible relationships with our eastern and northern neighbours."

For Dr Vranitzky, Austria's excellent economic performance last year and the progress made towards restructuring the country's heavily-indebted state industries is a cause for satisfaction, but certainly not complacency. He is acutely aware of the urgent need for even greater improvements to enable Austrian industry to be competitive either within the EC or in close association with its Single Market. His policies are based on a very modern mixture of free market and socialist ideas.

"We have to concentrate more on competitiveness. Some people think that being competitive today means being competitive for ever. We have to be competitive because this is the only way to maintain full employment, which we have almost reached. And we need to be competitive to survive periods of recession.

"What this means in practice is more deregulation. Economists sometimes divide the economy into protected and exposed sectors. We have to be very careful that the protected sector will not be structurally too large, as it is today, compared with other small and medium-sized European countries."

Though he has supported the partial privatisation of state industries and banks, Dr Vranitzky continues to emphasise that he does not consider privatisation to be necessarily "an instrument which brings a lot of improvements.

"If it serves the goals of companies well, then I am open to more privatisation, except in the case of utilities, airlines and steel. I am, in any case, an advocate of strong company managements which are free of political influence."

But the Chancellor refuses to take a dogmatic view of the problem of privatisation or nationalisation. It is all part of his basic philosophy that, while socialist values are still very much valid today, they must be adapted to the changed circumstances of the late 20th century. "We cannot behave as if nothing has happened."

Tony Andrews

Dr Franz Vranitzky: refuses to be jostled into hasty decisions

Judy Dempsey on the grand coalition's troubles and the rise of the right wing

Socialists ride out political storms

Josef Riegler, leader of the conservative People's Party and the new Vice-Chancellor

Tony Andrews

DESPITE a wave of corruption scandals, tax fraud affairs and resignations, Austria's century-old Socialist Party (SPOe) led by the Chancellor, Dr Franz Vranitzky, has so far succeeded in weathering the political storms of the past year.

However, the same can hardly be said of the conservative People's Party (OeVP), the junior partner in the coalition. Although spared such scandals, it has been unable to exploit the SPOe's misfortunes to its own advantage because of a continuing leadership crisis. The indications are that this crisis cannot fail to affect the party's chances in the next general election.

But if there is one party which is most likely to benefit from the scandals in the SPOe, as well as from the continuing disarray in the OeVP, it will be the small right-wing opposition Freedom Party (FPOe), led by the charismatic and populist 39-year-old Mr Jörg Haider. The steady rise of the FPOe has been one of several factors which have helped to keep the ungainly "grand coalition" together since it was formed 2½ years ago. But there are other reasons why two ideologically opposed parties should cling together.

As a coalition, it remains committed to applying for membership to the European Community, it appears intent on pressing ahead with a second tax reform, and it is determined to restructure the economy through a programme of privatisation and cautious deregulation. Neither the SPOe nor the OeVP could carry out such a programme alone.

Each of the big parties has been persistently dogged by problems which have given Mr Haider ample opportunity to make political capital. In the case of the SPOe, a corruption scandal has already claimed the political lives of the Interior Minister, Mr Karl Blecha, and the former Foreign Minister and Speaker of the Lower House, Mr Leopold Gratz, both of whom resigned last January.

Their resignation followed successful pressure by the "Greens" for the setting up of a parliamentary inquiry last December to investigate the sinking in 1978 of the freighter Lucona, in which six sailors died. The affair involves Mr Udo Proksch, the eccentric owner of Demel, Vienna's most fashionable coffee house.

It is alleged that the sinking of the Lucona was the subject of a massive insurance fraud. No sooner had the inquiry opened, than the SPOe was faced with even more adverse publicity. Mr Gunther Sallaberger and Mr Heinrich Keller, the party's general secretaries, were forced to resign after being accused of tax fraud.

This autumn, the Socialists expect more resignations when the Noricum trial opens. The management of Noricum, the weapons division of Voest-Alpine, the state-run steel and engineering group, is alleged to have made illegal sales of weapons to Iran between 1983 and 1986.

Mr Vranitzky might be reluctant to admit it, but the scandals in his own party have in fact given him the opportunity to throw out a lot of "dead wood". The Chancellor's particular target has been those who treated the party as an "old boy network" and were more eager to distribute favours to the party faithful than to prescribe unpalatable medicine such as privatisation and reductions in social welfare payments.

By projecting a more modern SPOe image, the Chancellor hopes to persuade increasingly disillusioned voters at the next election, due in 1990, that the Socialists are still the best party to lead a coalition government.

The OeVP is, if anything, in worse shape. Mr Alois Mock, who was replaced as party leader and Vice-Chancellor by Mr Josef Riegler last month, never fully recovered from failing to break the Socialists' 13-year-old stranglehold on government during the 1986 elections. As Vice-Chancellor and Foreign Minister in the grand coalition, Mr Mock remained very much in the shadow of Mr Vranitzky.

In addition, the OeVP leadership, which was regularly criticised by the party's powerful provincial governors for its lack of direction and leadership, has also failed to attract new members and to promote the younger generation of intellectuals, who have since retreated in disillusionment to the Wirtschaftsbund, the party's economics think-tank.

But while Mr Vranitzky attempted to modernise his party and Mr Mock floundered in his efforts to lead the party, Mr Haider launched his assault on the grand coalition. In Mr Haider's view, Austria's post-war political system, built on political consensus, has been dominated by a patronage system and a bureaucracy which has been monopolised by the two main political parties.

Mr Haider emphasises that the "Proporz" system, under which most senior public sector posts are equally divided between the SPOe and the OeVP, particularly in the banks, has promoted corrupt practices.

Undoubtedly, there is some truth in what Mr Haider says about the way power is distributed in Austria, even though the SPOe and OeVP often (and mistakenly) shrug him off as an upstart and a passing phenomenon.

But the FPOe has its own serious blemishes, not least its tendency to play on nationalistic and anti-semitic themes and a vague and unconvincing stance on economic and social issues. None the less, this has done little to hinder Mr Haider's appeal. By combining criticism of the system with unashamedly populist sentiments in defence of the "small man", Mr Haider is likely to be a powerful factor in the next election and a broker to be reckoned with in the subsequent coalition-building.

Trends in recent provincial election results confirm this. Last week Mr Haider was elected governor of Carinthia province. Last autumn in the eastern province of Burgenland, an old Socialist stronghold, the FPOe for the first time won three seats in the local parliament. In Vienna, the FPOe increased its share of seats by six to eight. In Niederösterreich, the most conservative of provinces, it won five seats at the expense of the OeVP. And last March, in a dramatic run of successes, the FPOe ate heavily into the OeVP in Carinthia, increasing its share of the vote from 16 per cent to 29 per cent and its seats from five to 11. It also gained ground in Tirol and Salzburg.

In almost all cases, it was the OeVP which lost out to the FPOe, a trend likely to be repeated at the next election. This set-back prompted the setting up of an OeVP commission, whose less than complimentary conclusions precipitated the resignation in April of Mr Mock, along with two other OeVP ministers.

But the FPOe won votes not simply because the OeVP was in disarray, or because Mr Haider had a highly sophisticated campaign machine behind him. Much has to do with his appeal to the younger generation, which is highly critical of a political system which permits so much patronage and corruption. The traditional political parties have good reasons to be worried.

Vienna's bid to join the EC is likely to progress slowly

Pot-holed road to Brussels

A LONG road with many pitfalls lies ahead of Austria now that its coalition Government has made up its mind to apply for full membership of the European Community. Well before a formal application has gone to Brussels, Mr Jacques Delors, the President of the European Commission, has made clear that it will meet some reservations and arouse no great sense of urgency.

The Austrian Government itself has made a set of stipulations in announcing its intention to apply. It wants the EC formally to accept the country's status as a permanent neutral. The eventual treaty of admission would have to safeguard Austrian welfare policy and environmental concerns. Moreover, though the two coalition parties, at least one of which is needed for any imaginable future alternative government, are committed to applying to Brussels, there is some important opposition and a widespread, if ill-defined *malaise*, at the grass roots.

Nobody in Vienna expects serious negotiations with the EC to begin before the Community has completed its own internal market, according to timetable by the end of 1992, if then. It will take several years more to come to a conclusion. Dr Alois Mock, the Foreign Minister, admits that the initial enthusiasm for Austria among some of the Twelve has been tempered by prudence. The attitude, he says is: "You are welcome – but please come a bit later."

What officials in Vienna call the "fundamentalists" of the EC, such as the Benelux countries, are the most reserved about Austrian membership. They are afraid that recognising Austrian neutrality would hamper progress towards the political union of the Community. Mr Delors made this point clearly in a speech last January when he said that the Community was called upon "to turn itself into a political union with increasing co-operation in foreign affairs and security."

Dr Franz Vranitzky, the Chancellor, admits that arranging for neutrality will be a complicated matter, Dr Mock says that given the political will, it can be done. He admits that Moscow's views about neutrality differ from his, a matter of some importance since neutrality was adopted as part of the post-war settlement. But Dr Mock adds that he has not come under unacceptable pressure from the Russians. In any case, Vienna argues that Austrian neutrality has been in the interests of Europe.

For official Vienna the overriding arguments for EC membership are commercial and industrial. A hint from Mr Delors that it might make more sense for the European Free-Trade Association (Efta) - to which Austria belongs - to negotiate as a whole a closer economic relationship with the EC, has been rejected by Dr Vranitzky on the grounds that it does not go far enough. The same goes all the more for the idea that Austria could keep in step with the EC internal market by voluntarily adopting the rules valid in the EC. For a start, that would deprive Austria of the voice which, once a member, it would have in making Community policy.

The Austrian Federation of Industrialists has been among the firmest advocates of joining – even though its members, under an existing free trade agreement – already have access to the Community market free of tariffs and quotas. But they are afraid of non-tariff barriers and bureaucracy.

Dr Helmut Kramer, head of the WIFO economic research institute in Vienna, says that full membership is the most logical way for Austria, but warns that many Austrian businesses are not fully aware of the challenges they face in the Community. For instance, Austria discriminates against foreign insurance companies by imposing a higher tax on their premiums than on those of insurers registered in Austria (including, admittedly, those foreign owned).

Such discrimination conflicts with Community rules. The provision in Austrian banking law which requires local need to be established before a bank branch may be opened could also cause trouble. (This provision has, however, been administered liberally.) In the EC, Austrian credit institutions would probably have to loosen their tight grip on the issue of bonded government debt. The liberalisation of capital markets and formal membership of the European Monetary System would tend to bring down Austrian interest rates to the usually lower West German level. (At present Austria does not belong to the EMS, though in practice the Schilling is managed to track the D-Mark.)

Agriculture will present especially knotty problems. Farm prices are generally higher than those in the EC. The farmers' organisation estimates that under the EC farm system the Austrian peasantry would be the poorer by Sch 3.6bn-Sch 4bn (about £164m-£178m) a year. Needless to say, they would want compensation. The Government is sympathetic. The textile industry is, by and large, in favour of joining, so too is the paper-making industry, which believes that it would gain advantages denied to the Scandinavians left outside the Community.

The retail trade, perhaps, has most to fear from an invasion of more efficient German chains. How difficult it is to work out who would be the winners and who the losers from membership can be seen from the case of the food processing industry. Austria's wheat and sugar would probably become cheaper, whereas fruit and vegetables for preserving would become dearer.

State-owned industry, especially steel, presents a potentially delicate problem. Steel is recovering from a period of heavy losses, but the trade unions and many Socialists are afraid that under EC competition law restructuring and rules against subsidies will be more stringent. Altogether, most economists believe that the mere prospect of membership of the EC will greatly increase pressure for restructuring much of Austrian industry which they believe to be necessary anyway.

No wonder that some Socialists are unhappy with the prospect of joining the EC. The local party organisation in Vienna, traditionally the most influential, is against joining. It is afraid that Vienna and the entire east of the country would be marginalised within the EC. Instead, Austria should take advantage of change in Eastern Europe to play its historic function as a bridge between East and West.

The last available opinion polls show a narrow majority of all Austrians in favour of joining, but there is much contradictory anecdotal evidence. Electorates tend to fear the unknown. That could become important in the future since it is generally agreed that a referendum will have to be held before an eventual treaty of accession comes into effect.

Dr Vranitzky says that a final decision will have to depend upon what can be negotiated. But even the Vienna Socialists want the closest possible relationship with the Community. Austria already conducts two-thirds of its foreign trade with the Community. Existing realities will be hard for Austrians to ignore.

W L Luetkens

The overhaul of the state industrial sector is nearing completion

OeIAG's new broom cleans up years of industrial decline

WHEN MR Hugo Michael Sekyra took over the giant Oesterreichische Industrieholding (OeIAG), the holding company for the State controlled industrial sector in 1986, it was, by general agreement, in a sorry state.

At the time, OeIAG was employing more than 108,000 people or about 20 per cent of the total industrial workforce. The workforce was run by managers who were generally appointed for their political loyalty rather than their professional skills and competence.

In addition, the group was making huge losses, reaching a record high of Sch 14bn in 1985, and its exports, which made up 21 per cent of total exports in 1980, had fallen to 17 per cent. Its survival depended on more government subsidies or else a radical shake-up of the whole organisation.

The Government chose the latter course and appointed Mr Sekyra to take on the mammoth task of transforming a sector which, over the years, had become a haven of high pensions, tenure and political patronage.

The reason why OeIAG's performance and management deteriorated over the years is in part related to the immediate post-war situation in Austria. At that time, most of Austria's large industrial enterprises were regarded as "German property" and, unless they had been nationalised by the Austrian Government, they could have been expropriated by the victorious Allies as war reparations.

Hence, the First Nationalisation Act of July 26 1946 which brought about 70 companies, including mining, smelting, oil production, gas, transport and utilities under the control of the government.

OeIAG experienced few problems in the 1960s nor during the boom years of the 1970s. But the unwillingness in the 1980s to rationalise and diversify, at a time when the international economic climate rendered this increasingly necessary, combined with a steady flow of subsidies and controlled prices, postponed any major reappraisal of the company's performance.

Asset sales 1987-89

	1986 %	1989 %	Proceeds (sch bn)
FEDERAL GOVERNMENT (1987-89)			
a) Austrian Electricity Company	100.0	51	a+b+c
b) Illwerke	70.2	51	= 9.9
c) Other smaller electricity Co	74.2	0	
Mint♥	100.0	0	8.0
Creditanstalt-Bankverein	60.0	51	0.2
Länderbank♣	60.0	51	
Austrian Airlines♣	99.2	51	0.7
Other	-	0	0.6
TOTAL	-	-	19.3
OeIAG (1987-88)			
Austrian Mineral Oil Company (OeMV)	100.0	85	1.3
Siemens, Oesterreich	43.6	26	1.9
Other	-	-	1.9
TOTAL	-	-	4.6

* One third of the central state-owned shares are to be sold to the Länder
♥ Bought by the Austrian National Bank
♣ Net of capital infusions

Source: OECD Economic Surveys 1988-89

Indeed, between 1981 and 1985, OeIAG received as much as Sch 26bn from the Government. It was only the scandal involving Voest-Alpine, the steel and heavy engineering sector of OeIAG, in which the management was caught illegally speculating on the oil markets, that provided the Government with an excuse to take a hard look at the group and review its activities.

It was at this point that Mr Sekyra was brought in. His first task was to streamline the organisation's various divisions. He created seven holding companies, covering 350 companies headed by OeIAG. These sectors included metals, chemicals, electrical engineering and electronics, machinery, building, oil and gas, and steel.

Mr Sekyra subsequently tackled the management, reducing the number of administrative personnel on the management and supervisory boards, as well as promoting experienced specialists.

"I do not care what political party they belong to," says the 47-year-old Mr Sekyra. "I just want to appoint people who know how to run a business and know that they have to pay out dividends."

The Government elected to transform a sector which, over the years, had become a haven of high pensions, tenure and political patronage

Next on the agenda was the workforce. Through patient agreements with the trade unions, a generous pension scheme, redundancy payments and a reduction of the retirement age from 60 to 55, he slimmed down the workforce to 88,220 by 1988. "I expect it will be brought down to 83,000 by this year," he said.

But to make the transition to effective management and high productivity, Mr Sekyra needed cash. Under the terms of the 1987 Financing Law, the Government allocated Sch 33bn to the OeIAG, most of which was earmarked for capital investments. Mr Sekyra insists that he will not ask the Government for any more money. Indeed, he has gone even further by suggesting that OeIAG will be out of the red by 1990.

"In 1988 we will have a cash-flow of Sch 10.3bn compared with Sch 1.18bn in 1987. Our losses for last year will be reduced to Sch 3bn. And by the end of 1989, we expect to have profits of Sch 4bn. That's not bad after three years of restructuring," comments Mr Sekyra.

However, Mr Sekyra is running out of money for modernising industry and thus is now taking a serious look at which sectors of OeIAG can be sold off.

This is a politically sensitive area. The Government is committed to a partial programme of privatisation in which the Republic will retain a majority stake of 51 per cent in its holdings. Mr Sekyra admits he would like to see certain sectors sold off completely.

But so far, he has been content with the 15 per cent sale last year of OeMV, the giant oil and petroleum group, which brought OeIAG a much-needed Sch 1.3bn. Additional sales of Siemens Austria and other small sectors of OeIAG have realised a total of Sch 4.6bn.

"I reckon I need Sch 5bn to see me through," Mr Sekyra says, adding that he had hoped to issue government-backed bonds which could eventually be transformed into voting shares. But the conservative People's Party (OeVP), the junior partner in the Socialist-led coalition, argued against it on the grounds that it did not like half-baked measures; it would have to be an all-out privatisation.

Mr Sekyra, who gives the impression of being able to shrug off the political bickering, thinks he will get his way. But in the meantime, he is seriously contemplating going public with OeIAG.

The first tranche of an OeIAG bond issue could be placed on the market before the end of 1989, he hopes. The issue would consist of convertible debenture stock. Interest would be below the capital market rate but in return, investors would be entitled to buy OeIAG shares at reduced prices when OeIAG is ready for the market in 1992 or thereabouts.

It seems an ambitious programme. But Mr Sekyra knows there is not much time. "We have to compete in Western markets. At the moment, 63.4 per cent of our exports go to the European Community. I want to increase that share and move even further away from the Eastern markets which today account for 9 per cent of our exports."

The setting up last year in Frankfurt of the Austrian Mergers and Acquisitions organisation (Amanda) is a step in this direction. Mr Sekyra is looking for partners, buyers and sellers for parts of OeIAG. But he remains coy about revealing these plans, in contrast to his commitment to restructuring and bringing in new blood.

Mr Sekyra's office in the OeIAG's headquarters in the centre of Vienna conveys his desire for renewal. In contrast to the heavy dark wood panelling on the staircase, so typical of state-run buildings, his office is bright and full of high-tech lights and gadgets. "That's the new corporate image," he says. "Modern interiors in a traditional shell."

Judy Dempsey

Relations with Eastern Europe

Ties under close scrutiny

VIENNA'S 12th Festival opened at the end of last month to the sounds of jazz bands and merry-making in the streets and a vast selection of schnitzel, sausages, slivovic and bread, spread out on open-air stands to tempt the thousands of Viennese.

Such entertainments are normal for the opening day of the "Stadtfest". But what was unusual this year was the festival's slogan: "Ost, West, Grenzenlos" – East, West, without borders. This slogan goes beyond mere rhetoric because over the past 35 years, Vienna, and particularly the Foreign Ministry, has been patiently pursuing a policy of what it calls "good neighbourliness" with its eastern neighbours.

Undoubtedly, this policy has been influenced by history. Before 1918, Vienna was the capital of an empire which stretched from Vorarlberg in the west to the eastern regions of Galicia, now in Poland, and Chernovitz, now in Russia. It was also a fantastic magnet for artists and intellectuals, ideas and creative energy, whose impact, both after 1918 and the Second World War, could not be easily forgotten.

Thus, after barbed-wire fences cut the tram-line which ran between Vienna and Bratislava, following the Communist takeover of Czechoslovakia in 1948, the Austrians were still reluctant to turn a blind eye to their eastern neighbours. However, the decision to keep the doors open to the East went beyond feelings of nostalgia, cultural or historical affinity.

'East, West, without borders' was the slogan of this year's Vienna Festival

"We did not want the Cold War permanently on our borders," a Foreign ministry official explained. "We ourselves remembered what it was like when the Russians were here until 1955. It was not easy. Their presence was a useful reminder to us of what it was like for our Czech and Hungarian friends who were trapped on the other side."

Thus, the Austrians willingly opened their borders to the thousands of Hungarian refugees who fled after the 1956 uprising was crushed and, subsequently, to Czechs fleeing from the Soviet-led invasion of Prague in 1968.

But today, instead of Hungarians escaping from their country, they are flocking into Austria over a border crossing which, for all intents and purposes, no longer exists. Even the electronic devices on the Hungarian border are this month being dismantled.

The relaxed relationship between Vienna and Budapest has as much to do with the political and economic changes taking place in Hungary as with Austria's Eastern European policy. In practice, that policy today allows Poles, Hungarians, Yugoslavs, Bulgarians and Romanians, to enter Austria without a visa. Last year, when travel restrictions were eased for the Poles and the Hungarians, tens of thousands converged on Vienna, some to stay illegally, others simply to sample the huge variety of goods on offer in a Western consumer society.

Austria's special relationship with Eastern Europe, often described as "a bridge" between East and West, is now coming under close scrutiny, not least by the Austrian Foreign Ministry and the two main political parties. This "re-examination" has come about partly because of the changing climate in East-West relations. But it has also been undertaken because of the implications of Austria's pending application to join the European Community (EC).

From an economic standpoint, the thaw in East-West relations is likely to have a considerable effect on Austria's trade with Eastern Europe. Since 1975, its exports to Comecon have fallen from 17 per cent to 8.5 per cent of the total, caused mainly by a determined effort on the part of the Austrians to direct more of their trade towards the OECD and EC countries.

Despite the economic reforms in the Soviet Union and in neighbouring Hungary, Viennese bankers remain sceptical that they will dramatically push up Austria's exports to the East. On the other hand, West Germany, by taking advantage of the economic reforms, is likely to increase substantially its trade with Comecon, currently hovering at around 3.4 per cent of its total exports.

Bankers say it is largely a problem of capital. "Unlike the West Germans, we simply do not have the kind of capital to invest heavily in Eastern Europe. Instead, we tend to focus on small contracts, relying on our contacts, cemented over the years through language, relatives and a special position in this part of Europe," they add.

In the view of the Foreign Ministry, Austria's improved relations with the East, which were never really contingent on dynamic economic ties, will not be greatly affected even if trade with Eastern Europe does decline.

But Austria's future political links with the East, are an entirely different matter. Officials say that if Austria's application for full EC membership were to be seriously considered, then fundamental questions could be asked about its special relationship with its Eastern neighbours.

"We feel that, as the EC moves towards greater integration involving the free movement of peoples within the Community, Brussels might insist that we revise our visa-free policy towards our Eastern neighbours," a senior Austrian official commented.

Of concern to some EC countries was the possibility that Austria could be used by East Europeans as a transit route to other parts of Europe. Austria's visa-free arrangements with the East was a question "which will come up sooner or later" with Brussels.

Foreign Ministry officials, however, are banking on two developments which they hope will postpone any major reassessment of the future direction of Austria's foreign policy with the East. They see the possibility of the countries of Eastern and Western Europe forging much closer economic co-operation and political links. As an example, they point to the increased contacts between the EC and Comecon. They also point to the more liberal winds sweeping across some parts of Eastern Europe which, they say, should be acknowledged by the West.

"If we make demands on the East to relax its travel restrictions and to improve on human rights, then the West should be prepared to honour such improvements by allowing the East Europeans to travel throughout Europe," a Foreign Ministry official argued, adding that "we cannot carry that burden alone."

Austrians are, however, prepared to take the risk of jointly hosting with Hungary an ambitious World Exhibition in 1995, which will be divided between Vienna and Budapest. The Austrians expect the project, which is to include the construction of a high-speed rail link and direct motorway between the two capitals and many new hotels, to be privately funded. The Hungarians hope they will get money for the enterprise from the West.

Above all, many in Vienna speak about the important *grenzenlos* aspect of the venture. "The exhibition should not be viewed as Austria moving towards the East; it should be seen as an attempt by Vienna and Budapest to break down frontiers between two different political systems," one of the Viennese organisers of the exhibition commented.

Judy Dempsey

Judy Dempsey on the banking sector's increasing emphasis on foreign markets

1992 provokes a more international outlook

AUSTRIAN banks are at a crossroads. After several years of handsome profits and rapid expansion, the banks are now turning their attention towards strengthening their international presence, coping with deregulation, and even considering mergers.

Results for 1988 confirm these trends. While the country's leading banks closed with stronger balance sheets and steady growth in cash-flow, some, such as Creditanstalt-Bankverein, the largest bank, had noticeably smaller profits. This was due partly to provisions for international investments and the poor performance of some of its industrial affiliates, most notably Steyr-Daimler-Puch, which accounted for its comparatively smaller post-tax profits of Sch 1.02bn.

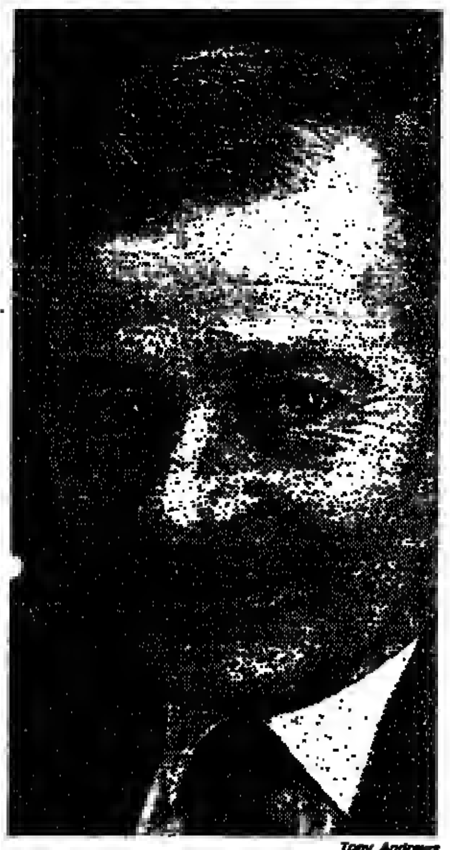
However, in the international arena, the bank was increasingly active. Foreign business earnings accounted for 45.8 per cent of its balance sheet total. But more significantly, two leading Japanese institutions, Sumitomo Life, one of the country's largest life insurance companies, and Mitsubishi Trust, the leading trust bank, each bought stakes of less than 5 per cent in Creditanstalt.

The deal forms part of the strategy of Mr Guido Schmidt-Chiari, the chairman, in developing the bank's operations in Japan as well as attracting Japanese institutions and private interest in investments in Austria. The bank's Hong Kong office was upgraded to full branch status as part of this strategy.

Girozentrale, the second largest bank whose business is concentrated on financing, not on retail banking, also has its eye more on the international market.

In 1988, 43 per cent of its total assets was accounted for by foreign earnings. Laenderbank and Die Erste, the country's oldest savings bank, both moved in the same direction, each with 37 per cent and 33 per cent of its assets coming from international business.

The greater emphasis on expanding into foreign markets seems to be an indication of the banking community's concern with the creation of the European Community's Single Market in 1992. Bankers say there is every likelihood that



Tony Andrews

Hellmuth Klauhs (top left); Gerhard Wager, chairman of Laenderbank (above); and the farming banking sector's central bank, Genossenschaftliche Zentralbank

European banks, whose presence is hardly noticeable in Vienna, will move quickly into Austria.

Such possible developments formed part of the background to a significant deregulation of banking activities, introduced on February 1, which was aimed primarily at bringing the Austrian banking system more into line with other West European countries.

The liberalisation measures mean that Austrian residents will be able to invest abroad without the prior consent of the National Bank. Residents will be free to buy insurance policies from foreign insurers and invest in property outside the country.

In addition, Austrians will be able to acquire shares and interests in foreign companies. Borrowing has also been relaxed to such an extent that Austrians will be free to borrow foreign currency from non-Austrian banks and will only have to notify the National Bank when any loan exceeds three years. The limit on money transfers out of the country has also been increased from Sch 50,000 to Sch 100,000 ($7,600).

The easing of these exchange controls will inevitably lead to greater competition among the banks. But in addition, given their comparatively small size, it has already opened up two major debates about Austrian banks' future ability to compete in an increasingly competitive international market.

The first of these debates is focused on the Socialist-led Government's plans to sell off 49 per cent of its holding in Creditanstalt and in Laenderbank, in which the Republic holds a majority stake of 54.5 per cent and 53 per cent respectively.

However, even if the Republic reduces its stake to 51 per cent, or possibly reduces it still further, the banks will not be free of political influence, since many of the existing shares in private hands are in fact non-voting.

The reasons for this go back to 1957 when the then Finance Minister, Mr Reinhard Kamitz, cautiously privatised sections of these two banks. In each case, the Republic sold off 40 per cent, but 30 per cent of those shares were non-voting and had a guaranteed dividend. The remaining 10 per cent was bought by politically reliable institutional investors. "That kind of privatisation ensured that political influence in the banks remained intact," commented a Viennese bank director.

The feeling at the time was that the Austrians, scarred since the First World War by several severe economic crises, would have to be wooed carefully back towards taking risks.

But times are slowly changing. As Creditanstalt and Laenderbank raise more share capital by issuing voting shares, clearly aiming at the magic 51 per cent figure, some of the country's top bankers relish the thought of being free from government interference in the appointment of the boards. But they readily admit that such interference can only disappear when the status of the non-voting shares are changed to full voting shares.

Any such decision depends on Mr Ferdinand Lacina, the Finance Minister who has to weigh up the ideological and political costs of such a transformation, with the prospect of the two main political parties losing their influence on the banks' managing and supervisory boards.

The privatisation debate is taking place at the same time as discussions about mergers, which have rarely played a significant role in Austria's economy or banking sector. Plans are afoot to merge the Laenderbank with the Zentralsparkasse und Kommerzbank or Z, Austria's largest savings bank which is run by the politically powerful (socialist) City of Vienna.

Both are very difficult animals. Laenderbank, with total assets worth Sch 213.9bn, has a growing international presence and an increasingly strong securities division. However, it remains weak on financing, since its savings accounts are small. In contrast, Z, with assets exceeding Sch 221bn, has more than 2.4m savings accounts worth Sch 82.9bn. A merger, it is argued, would complement both banks. It would also entail the Republic completely selling off its stake in Laenderbank.

The marriage would inevitably produce a spin-off effect since it would raise questions about the future structure of Girozentrale (GZ), the central bank for the country's 126 savings banks. One of the ideas being mooted is that Z, which holds 24 per cent of GZ's shares, would sell those shares to Die Erste, which owns 17 per cent of GZ, a move which would make Die Erste into a relatively powerful force in the savings sector.

But Mr Hans Haumer, the chairman of Die Erste, who next October moves over as chairman of GZ, also believes it is time to reassess the whole role of the savings banks. With much closer links between Die Erste and GZ, he advocates turning GZ into a holding company which would provide a much more flexible co-ordination of funds, resources and reserves as well as the possibility of the savings banks gaining the right to raise equity capital.

Above all, a Laenderbank and Z merger, combined with changes in GZ, could produce a snowball effect on the other banks. Some bankers envisage a realignment of the banking sector with possibilities of marriages between Creditanstalt and the Postsparkasse (the postal savings bank) and between Raiffeisen (with a strong agricultural emphasis) and Volksbanken (the large credit institute).

PROFILE: HELLMUTH KLAUHS

Committed to deregulation

MR HELLMUTH Klauhs, the president of the Austrian National Bank, is determined to bring the country'e banking system into line with European Community standards by 1990.

Less than a year in Austria's best-paid public sector job, Mr Klauhs has already embarked along the road towards deregulation and liberalisation of a sector which, for years, was noted for its lack of competitiveness and over-regulation.

Mr Klauhs, aged 61, has brought to the National Bank 31 years of experience from the Genossenschaftliche Zentralbank, the central bank for the agricultural banking sector. As chairman of that bank for 19 years, he is often regarded as a man more attuned to acting cautiously than taking bold, innovative steps.

Despite this reputation, he has surprised his colleagues in his commitment, if not conversion, to maintaining the present pace of deregulation. "Of course, it is not possible to do all these things in one step. However, we are moving along the road of deregulation in line with EC norms," he says.

Mr Klauhs recalls decisions implemented last February when, in one atroke, the National Bank swept away 40 regulations. In doing so, it permitted Austrians to acquire shares and interests in foreign companies, as well as allowing them to buy foreign property. Austrians are now also permitted to borrow abroad, in foreign curreocy, provided the term of the loan exceeds three yeare. However, short-term horrowing still requires the prior consent of the National Bank.

Speaking in his office in Otto Wagner Platz, named after one of Austria'a finest architects of the turn of the century, he said that by the end of this year, restrictions on residents who want to buy gold bullion and foreign gold coins will also be lifted. in addition, be expects that the present requirement to deposit with an Austrian bank foreign securities purchased by residents, will also be lifted.

But Mr Klauhs realises that all such steps have to be carefully weighed against political considerations. He has in mind Austria'a banking secrecy laws, which, along with Switzerland, are among the tightest in the world.

Under the current regulations, banks can be sued for damages or prosecuted for revealing to third parties information obtained as a result of their business relations with a customer. As for non-resideots, they can acquire Austrian and foreign securities anonymously. Such tight secrecy rules recently raised a few eye-brows in the US wheo Austria, because of its secrecy laws, was one cf the few countries which declined to sign the United Nations Drug Convention advocating stricter controls on mcney-laundering.

However, Mr Klauhs seems confident that Austria can get around this problem withoct compromisiog its special secrecy regulations or risking an outflow of capital. The banks, he says, will in future treat anonymous deposits which are above a certain amount differently, depending on whether they come from Austrians or from foreigners.

But not all his attention is focused on making the country's banking system compatible with international standards. When asked about the National Bank's notorious reputation of recruiting personnel on the basis of parity between the Socialist and the conservative People's Party, Mr Klauhs says the system will "eventually change".

The President of the National Bank himself is a victim (or beneficiary) of this system. As a result of bickering among the two main political parties, he was eventually appointed three months after Mr Stefan Koren, the former chairman, died in January 1988.

He has also turned his attention to the mint, which the Bank last year bought from the Republic for Sch 8bn. "We now want to control the volume of coins," he says, revealing that the bank plans to issue next autumn a bullion coin for the Vienna Philharmonic and another to commemorate Gustav Klimt, Vienna's famous fin-de-siecle artist,

Judy Dempsey

W L Luetkens on a tourist sector keen to broaden its attractions

In the midst of change to satisfy yet more creature comforts

TOURISTS from abroad are once again smiling upon Austria after several years during which their numbers stagnated or even fell. Last year foreigners' overnight steys in the country increased by 2.2 per cent to 88m and, in spite of an occasionally catastrophic lack of snow, the winter of 1988-89 was the best ever.

Good though these results were, they cannot disguise that the Austrian tourist industry – one of the oldest in the world – is in the midst of a battle for structural change. Stays have become shorter. Demand for creature comforts has risen. In summer, an increasing number of tourists are dissatisfied with the traditional walking and swimming holiday which Austria has provided for decades. A greater variety of activity is required.

These considerations apply primarily to the summer season: the skiing boom continues to the point where the problem is not how to attract more visitors, but how to prevent the resorts being buried under the avalanche of tourists. Even in summer the limits of mass tourism have been reached unless the environment is to be ruined.

The watchword is more quality, which readily translates into more income from each tourist. The point of departure has to be the assets that made Austria into a tourist paradise in the first place: the cultural heritage appeals to both the sophisticate and the rubber neck. In 1987 the fortress overlooking Salzburg, home of the music festival, attracted more than 1.5m visitors and 1.3m made their way to the imperial palace of Schoenbrunn just outside Vienna.

In spite of the appeal of southerly beaches, the Austrian lakes remain an important drawing point. A few years ago there was a danger of increasing pollution, but great efforts have been made to clean up the waters. That made an important contribution to the rediscovery of Austria last summer because it contrasted favourably with stories of dirty waters in the Adriatic.

On the negative side, many Austrian summer resorts have been slow to adapt to demands for more comfort – and yet Austria has the reputation of being an expensive destination. How expensive it really is will to a great extent depend upon the tourist. A tourist willing to adapt himself to local custom and eating habits can save a lot of money. Even simple eating places usually have a skilled hand with local dishes.

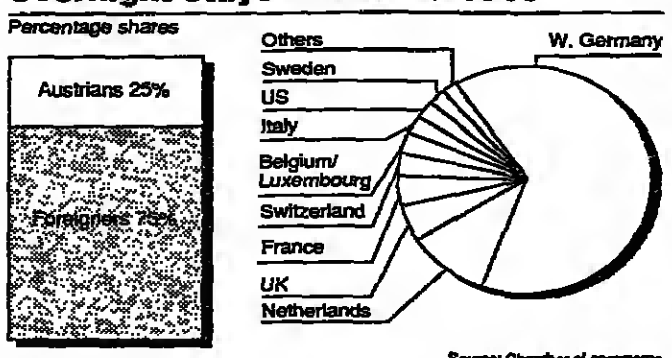
By the standards of, say, London, luxury accommodation in Vienna is not unduly expensive. The language barrier need not confine the visitor to luxury establishments and tourist traps: English is widely understood. It is worth enquiring about passes for reduced fares on railways and other public transport, which are mostly excellent and punctuel. In winter there are unfashionable regions in the north, where prices are low and the cross country runs good and uncrowded.

Progress made towards higher quality can be seen on the spot in the form of tennis courts laid out almost everywhere and an increasing number of golf courses. As regards accommodation, the number of beds available in four and five star hotels rose from 97,000 in 1978 to 131,000 in 1988. On the other hand, the number of beds in private quarters, though steadily receding, is still high: 250,000 out of a total of 1m beds.

Some progress has been made with attracting visitors in the half season. But success is so far limited, even in the cities, in spite of the fact that city tourism is the latest trend in the industry. Vienna ranks fourth among tourist cities in Europe, behind London, Paris and Rome. Italians are especially prominent. Mrs Gerda Snppanz, an economist with Creditanstalt-Bankverein, Austria's biggest bank, says that the Italians have discovered an interest in languages and in the Hapsburg past which they share with Austria. The wealthy Italian north still has great potential for the Austrian industry.

Overnight stays in Austria 1988

Percentage shares



Source: Chamber of commerce

The seasonal nature of the industry, hut more so the belief, quite recently widespread, that there was no limit to growth goes far towards explaining why the hotel industry is deeply in debt. Its overall indehtedness has multiplied hy seven since 1970 to Sch 72bn (about £3.3hn) and is giving some cause for concern.

To add to the industry'a worries, the hotel and restaurant workers' trade union has announced its intention to campaign forcibly for a five-day week. It is a critical area in the hotel and restaurant business, hut one should add that Austrian trade unions – even when they are campaigning forcihly – usually do so with velvet paws. Besides, in the weakest establishment, much of the work is done by the owner and his family who do not belong to any union and often work for minimal financial reward.

Coping with these and the other problems is a matter of prime importance not only to the tonrist trade hut to the country at large. In 1988 foreign visitors spent about Sch 120bn in Austria making a contribution of 7.7 per cent to gross domestic product – higher than in any other member country of the OECD. That income was oearly three times as much as the deficit of Sch 71bn in Anstrian visible foreign trade.

There is some speculation about the impact upon the industry of Austria's success – or failnre – eventually to achieve memhership of the European Community, especially if the Twelve do achieve free movement of persons throughout the Community. Since visitors from EC countries last year accounted for almost 90 per cent of foreigners' overnight stays in Austria (no fewer than 64 per cent of the total from West Germany), any drastic consequences could become a matter of life and death for many a pension, ski lift or other tourist enterprise.

Such fears may well be exaggerated: the Germans come because Austria is close and because they have no language barrier to cross. That will not change. Dr Michael Raffiinger, of the Chamber of Commerce organisation, says that, if Austria eventually joins the Community, the tourist industry will have a more ample supply of workers from countries such as Italy or Portugal for jobs that appeal to few Austrians.

On the other hand, membership of the EC might eventually maka Austria less easily accessible for Eastern Europeans and especially the Hungarians who at present require no visa. It is debatable how great the loss would be, even though Hungarians swarmed across the border this winter and spring to buy consumer durables.

The Austrian central bank estimates that in the six months until April, Hungarians spent some Sch 6bn in Austria. According to a Hungarian newspaper, on April 3 and 4 – just before the Hungarian anthorities increased cnstoms duties - 3,506 deep freezers, 5,664 video recorders, 4,013 colour TVs, 166 cars and a good deal else were carted across the border.

Losing that trade would be no disaster: some 90 per cent of those goods, measured by value, was imported into Austria from elsewhere. The benefit went mostly to the retailers.

VIENNA STOCK EXCHANGE

The Börse finally wakes up

A NUMBER of circumstances over the past year has woken up the Vienna stock exchange and has pumped new life into what was for many years one of the sleepiest institutions of its kind in Europe. Even the normally sceptical banking and business community in the Austrian capital expect the "Wiener Börse" to remain steady, if not huoyant over the coming months.

From being a fairly insignificant exchange during the post-war period through to the mid-1980s, the Vienna Börse has gradually attracted back both the domestic and foreign institutional investor. But in addition, it is slowly wooing back the thirifty-minded and cautious Austrian private citizen who, for the best part of this century, fought shy of the capital markets.

The gradnal awakening started in 1985 and continued through to the following April, when the Vienna share index reached an all-time high of 296.19, thanks largely to a spate of foreign buying. Before then, the index hovered at around 115.

Curiously, the crash of October 1987 did not have as hig an adverse effect on the Vienna stock exchange as it did on other exchanges. Its fall by only 18 per cent may well have been due to the fact that it was cushioned hy tha so-called "Klausel," under which no share could rise above or fall below 5 per cent in any single trading day.

Last January, however, the "Klausel" was increased to 10 per cent, confirming the new-founded confidence of the Börse. Some traders consider that it should now be scrapped altogether.

But until then, traders were not entirely confident that the Börse was fully awake. Such scepticism appeared to be justified when, in February of last year, the index fell dramatically into tha doldrums, dipping to a low of 163.96. However, that turned out to be only a temporary nap. Soon there was a remarkable turnaround, confirmed by the increase in trading on the exchange which rose from Sch 7bn in 1987 to Sch 7.6bn in 1988. That accounts for about a third of total turnover, two-thirds of which is traded outside tha Börse.

The Börse has gradually attracted back both the domestic and foreign institutional investor

The share index rose substantially, closing 1988 at 242.70 compared with 206.91 at the end of the 1987. By April 17 of this year, it had reached an historic high of 328.08. The Börse's re-awakening can be explained hy several factors.

First, as part of its privatisation programme, the Socialist-led coalition Government last year sold off some of its stakes in tha Verbund, the giant utilities group, Austrian Airways, the national carrier, OeMV, the oil and chemical gronp, and Vorarlberg Kraftwerk, a small ntilities company in the west of Austria.

In all, these new listings – promoted hy snappy and highly professional advertising campaigns – coupled with several private companies going public or else raising their share capital, increased the Börse's total nominal value in 1988 hy Sch 6.21bn to Sch 24.49bn.

More significantly, the increase in the turnover of all tha 176 listed ahares, which pushed up the total traded in Austria by Sch 5.6bn to Sch 24.3bn, was caused in part by renewed foreign buying on the Vienna exchange.

Länderbank, the country's third largest bank was quick to spot this trend. A year ago, the bank put together a package of medinm-term inveatment shares which included Anstrian Airways, OeMV as well as the successful Constantia group. Within four months, the shares gained 15 per cent in schilling terms and 4 per cent in dollar terms. Nearly a year later, they have gained 65 per cent and 50 per cent respectively.

Another reason for the sustained upswing is undoubtedly to be found in the performance of Austria's large and medium-sized companies listed on the Börse, several of which have prodnced excellent annual results.

One of these is the Montana group, which specialises in financial services, mining and hiochemical products and its chemicals subsidiary, Jungbunzlauer.

A year ago, trading in Montana's atock, which rocketed from Sch 11,000 to Sch 19,000 and which is now traded at around Sch 33,200, often reached Sch 11m worth of shares a day or about 50 per cent of the Börse's turnover.

The initial surge in Montana'a shares was due to the favourable outcome of a court case, but traders believed then that its shares were undervalued to begin with. In addition, Montana and Jungbunzlauer's growing presence in European Community countries made it more attractive to foreign investors.

Finally, the tax reform, which was introduced last January and which was the first major overhaul of the system since the Second World War, provided people with more disposahle income. The top income tax rate was reduced from 62 per cent to 50 per cent and the lowest rate from 21 per cent to 10 per cent. Company taxation was cut from 55 per cent to 30 per cent.

"With more money in their pockets, people here are slowly becoming more adventurous with their savings," one trader commented. And there are a lot of savings.

The anti-risk mentality of the older generation of Austrians, who still remember the economic depression of the inter-war period, accounts for the high level of savings deposits, which exceed Sch 1,000bn. That explains why, until recently, less than 1.5 per cent of the population of 7m held shares.

But as a younger, more carefree generation grows up, and with a government committed to expanding share ownership, attitudes towards buying shares are slowly changing. "People are at long last discovering the Börse," a young trader commented. "Yes, I think we can say that the Börse's long sleep is finally over."

Judy Dempsey

Tony Andrews

Vienna Börse: bankers expect trading to remain steady, if not buoyant over the coming months